

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ
AGENDA OF THE REGULAR BOARD MEETING
January 22, 2020
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. Minutes of the Regular Meeting held December 18, 2019

Motion to Approve as Submitted
 - B. 5 Year Agency Plan: PHA Goals and Objectives

Receive Report
 - C. Relocation Assistance Program for Low Income Families Experiencing No-Fault Evictions

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. Section 8 Housing Choice Voucher Program: Voucher and Funding Utilization

Discussion
 - B. Project Based Voucher Program – Criteria, Outreach, and Updates

Receive Report, Provide Direction to Staff on Use of PBVs at Inclusionary and Density Bonus Units
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.

AGENDA ITEM NO. 1

Roll Call

Chairperson Brunner called the meeting to order at 11:30 a.m. Members present Commissioners Brunner, Eligio, Garcia, Melendrez, Schiffrin and Schmale (Commissioner Melendrez was introduced by Secretary Panetta and welcomed by the Board of Commissioners. Commissioner Melendrez was sworn in at an earlier date). Commissioner Berg entered the meeting at 11:37 a.m.

Members Absent

None.

Staff Present

Jennifer Panetta 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 Garcia asked that **Agenda Item 3C** be pulled from the Consent Agenda. Item so pulled.

Commissioner Schiffrin made a motion for approval of the Consent Agenda as amended; Commissioner Schmale seconded the motion and it was passed by the following vote:

AYES: Commissioners Brunner, Eligio, Garcia, Melendrez, Schiffrin and Schmale

NOES: None

ABSENT: Commissioner Berg

ABSTAIN: None

Agenda Item 3A. Approved the Minutes of the Regular Meeting held October 23, 2019

Agenda Item 3B. Approved the Minutes of the Special Meeting held November 18, 2019

Agenda Item 3D. Approved Update to Housing Choice Voucher Administrative Plan with Regards to Farmworker PBV Units at San Andreas

Agenda Item 3E. Adopted Resolution No. 2019-18: Resolution Retroactively Authorizing Submission of a Family Unification Program Application to the U.S. Department of Housing and Urban Development (HUD) under the Housing Choice Voucher Program

Commissioner Garcia had questions on **Agenda Item 3C** regarding the Moving to Work (MTW) applications. Commissioner Garcia asked if staff needed authorization from the Board to move forward to apply for the different Cohorts. Secretary Panetta stated that the Housing Authority has submitted a letter of intent for Cohort #2 to HUD with approval from the Board. HUD has accepted the letter of intent and identified the Housing Authority as an eligible agency but at this time, staff has not heard anything further from HUD on the application process to become a designated MTW agency. If the Housing

Authority does have the opportunity to fill out an application, this will come before the Board. A discussion followed.

Commissioner Garcia had questions regarding food insecurities and how the Housing Authority refers tenants to the resources that are available in the community. Commissioner Garcia asked what data the Housing Authority collects on those that do apply for the services. Secretary Panetta informed the Board that Housing Authority doesn't collect data on program participants taking advantage of the services. Commissioner Garcia stated that it may be a good idea to track this as there could be participants that have food insecurities that the Housing Authority doesn't know about it. Secretary Panetta informed the Board that this could be something to discuss during Agenda Item 6C, 5 Year Agency: PHA Goals and Objectives.

AGENDA ITEM NO. 4 Oral Communications

Ms. Jocelyn Gonzalez introduced herself to the Board of Commissioners. The Board of Commissioners welcome Ms. Gonzalez. Ms Gonzalez explained to the Board that she was a student at Watsonville High School and that she submitted an essay for a contest at her school and was chosen to be Mayor for the Day. Her essay was about her ideas of making changes in the community. Ms. Gonzalez explained that she was involved in banning tobacco from her community. The Board and Secretary Panetta thanked her for joining the meeting and congratulated her on winning the essay contest.

AGENDA ITEM NO. 5 Unfinished Business
None.

AGENDA ITEM NO. 6A Repositioning Low-Income Public Housing Units through Section 22 Streamlined Voluntary Conversion

Secretary Panetta stated that as the Board knows, over the past several months, Housing Authority staff have been working towards the preparation of an application to reposition Low-Income Public Housing through Section 22 Streamlined Voluntary Conversion (SVC) to Tenant Protection Voucher (TPV) Units. This report provides an update on this effort. A revised copy of the report was passed out at the meeting after additional information was received by staff from special counsel regarding potential limitations on use of program reserves once the application is submitted.

The Housing Authority drafted a revised Agency Plan which was reviewed by the Resident Advisory Board (RAB). A public notification period was conducted over a 45day period and the Board approved the revised plan at the October Regular Meeting. HUD has since accepted the revised plan.

The Housing Authority has engaged participation by residents of public housing in the conversion plan. Besides the RAB meeting, which was in support of the conversion, the Housing Authority mailed a letter to each public housing resident with information about the proposed conversion. The Housing Authority also invited each resident to request an individual meeting. The Housing Authority held a resident meeting for all residents of the affected sites on November 20, 2019 to discuss the conversion plan, answer

questions and receive feedback. Thirty-Six residents attended the meeting. A summary of resident consultation and feedback is included in the application. None of the residents expressed opposition to the proposed conversion.

Staff recommendation is for the Board to approve the submittal of an application for Streamlined Voluntary Conversion. A discussion followed.

Commissioner Schiffrin made a motion adopt Resolution 2019-19 Resolution To Approve the Streamlined Voluntary Conversion Plan, the Public Housing Removal Action, and the Submission of the Inventory Removals Application; Commissioner Berg seconded the motion and it was passed by the following vote:

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

AGENDA ITEM NO. 6B Section 8 Waiting List Preference for Homeless Families with Minor Children

Secretary Panetta reminded the Board that at the October 23, 2019 Board of Commissioners Regular meeting, a letter from the County Board of Supervisors was included in the Board packet requesting that the Housing Authority Board adopt a limited waiting list preference for homeless families with minor children on the Housing Choice Voucher (Section 8) waiting list. At that meeting, staff had not had adequate time to complete an analysis of the request and present a recommendation to the Board of Commissioners. Staff wished to initiate the discussion and begin exploring initial concerns from staff and receive feedback from Commissioners, with a goal of presenting a staff recommendation and receiving Commissioner direction at the December meeting. The Board acknowledged the importance of this preference given the homeless crisis that is facing Santa Cruz County, and directed staff to complete the analysis and return with a recommendation.

Staff has now completed the analysis and recommends adopting limited waiting list preference for homeless families with minor children in the 2020 Section 8 Housing Choice Voucher Administrative Plan. A discussion followed. The Board thanked staff for their work on this. The Board appreciates how quickly this is moving forward.

Commissioner Schiffrin made a motion to adopt Limited Waiting List Preference for Homeless Families with Minor Children in the 2020 Section 8 Housing Choice Voucher Administrative Plan with additional direction for staff to return at the February meeting with a report on the status of the discussion with the county regarding providing supportive services through the Human Services Department; Commissioner Garcia seconded the motion and it was passed by the following vote:

AYES: Commissioners Berg, Brunner, Eligio, Garcia, Melendrez Schiffrin and Schmale
NOES: None

ABSENT: None
ABSTAIN: None

AGENDA ITEM NO. 6C 5 Year Agency Plan: PHA Goals and Objectives

Secretary Panetta reminded the Board that every five years housing authorities are required to submit a Five-Year Agency Plan to HUD. The Housing Authority of the County of Santa Cruz is preparing this Five-Year Plan over the coming months, in preparation of finalizing the plan in March 2020, and submitting the plan to HUD by April 15, 2020. The Board has reviewed and provided feedback on the Agency Mission Statement, the progress made on goals and objectives since the previous Five-Year Plan and discussed the existing goals and objectives as a starting point on developing goals and objectives for the coming five-year period. The Board asked staff to return with a new draft that utilizes existing goals with an emphasis on specific and measurable objectives where possible, incorporating some of the recent accomplishments in our goals and objectives, as well as a consideration of some goals and objectives that may be contingent upon completion of a Section 22 Streamlined Voluntary Conversion. This new draft is now before the Board for review. Secretary Panetta identified several additions proposed by Commissioner Schiffrin. A discussion followed, with additional changes proposed by several Commissioners.

Commissioner Schiffrin made a motion to direct staff to continue to work on the goals and objectives and to amend them to reflect Board feedback; Commissioner Garcia seconded the motion and it was passed by the following vote:

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

AGENDA ITEM NO. 7 Written Correspondence

Chairperson Brunner brought the Board of Commissioners attention to a letter from the County of Santa Cruz Board of Supervisors regarding Commissioners Melendrez appointment to the Board of Commissioners. The Commissioners thanked her for her service and congratulated her on her appointment.

AGENDA ITEM NO. 8 Report of Executive Director

Executive Director Panetta gave the Board a legislative update, including an update regarding action taken by the City of Santa Cruz to extend just cause eviction protections to Section 8 renters.

Commissioner Garcia stated that while the City of Santa Cruz passed an emergency ordinance specifically extending just cause eviction protections to Section 8 renters, Watsonville won't be amending their language because the retiring director of CRLA believes that Section 8 is not exempt from AB1482.

Commissioner Schiffrin would like an update on the development of a relocation assistance program for low income families experiencing no-fault evictions at the January meeting.

AGENDA ITEM NO. 9 Reports from Board Members

Commissioner Garcia informed the Board that she was recently invited by Jess Brown Executive Director of the Farm Bureau to meet with him and others to discuss Measure U which defined urban limits in Watsonville. The matter of farm worker housing came up. Executive Director Brown stated that the Farm Bureau is in support of farm worker housing.

Commissioner Berg informed the Board that she is now on the Board of Habitat for Humanity. The Board congratulated Commissioner Berg.

AGENDA ITEM NO. 10 Closed Session
None.

AGENDA ITEM NO.11
None.

AGENDA ITEM NO. 12 Adjournment

Commissioner Schiffrin made a motion to adjourn the meeting; Commissioner Garcia seconded the motion and it was passed by the following vote:

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

The Board of Commissioners meeting was adjourned at 1:21 p.m.

I hereby certify that these minutes were approved by the Housing Authority of the County of Santa Cruz, on the Twenty Second Day of January 2020.

Chairperson of the Authority

ATTEST: _____

Secretary

AGENDA ITEM SUMMARY

MEETING DATE: January 22, 2020

ITEM NUMBER: 3B

FROM: Executive Director

SUBJECT: 5 Year Agency Plan: PHA Goals and Objectives

RECOMMENDATION: Receive Report

BACKGROUND SUMMARY:

Every five years housing authorities are required to submit a Five Year Agency Plan to HUD. The Housing Authority of the County of Santa Cruz has been preparing this Five Year Plan over the past few months, in preparation to finalize the plan in March 2020, and submit the plan to HUD by April 15, 2020. The Board of Commissioners has reviewed and provided feedback on the Agency mission statement, the progress made on goals and objectives since the previous Five Year Plan, as well as draft goals and objectives for the next five years. The following goals and objectives reflect feedback provided by Commissioners at the October and December 2019 meetings. These goals will be incorporated into the draft Five Year Agency Plan that will be presented to the Board at the February 2020 meeting.

Draft Goals and Objectives for 2020 5 Year Plan

1. Goal: Expand supply of assisted housing
 - a. Apply for maximum award of additional rental assistance vouchers when available
 - b. Increase ACC of tenant-based voucher program by new 200 vouchers
 - c. Increase the size of project-based voucher program by 300 vouchers, with at least 150 of those vouchers provided to new affordable housing developments
 - d. Complete the development of a minimum of 6 new affordable units on Natural Bridges Drive
 - e. For new site based affordable housing, take measures to deconcentrate poverty and expand housing opportunity
 - f. If Section 22 SVC is completed: Consider utilizing revenue from non-profit affiliate to:
 - i. Increase density (adding additional units) to existing sites where possible
 - ii. Expand into affordable housing development and/or partnering with developers
 - iii. Fund at least one full or part time housing development position, either among HA staff or through a consultant
 - iv. Pursue the purchase of multifamily housing developments that comes up for sale
2. Goal: Improve quality of assisted housing
 - a. Renovate or modernize existing housing units and complexes as needed
 - b. If Section 22 SVC is completed: Consider utilizing revenue from non-profit affiliate to:
 - i. Develop program to fund repairs to units that cannot pass HQS standards in exchange for committing units to voucher holders
 - ii. Develop program to fund improvements to make units accessible to persons with

disabilities

3. Goal: Increase assisted housing choices
 - a. Conduct FMR study bi-annually to continually increase voucher payment standards
 - b. Continue or expand Landlord Incentive Program by allocating up to \$200,000 to the program
 - c. Increase number of landlords participating in Section 8 voucher program by 10%
 - d. If Section 22 SVC is completed: Consider utilizing revenue from non-profit affiliate to:
 - i. Provide voucher mobility counseling to all voucher holders, such as rental search assistance, rental resumes, etc.
 - ii. Provide additional landlord incentives/bonuses of up to a total of \$100,000 per year total
 - iii. Provide housing counseling and/or information services to at least 50 non-assisted households, such as affordable housing waiting list alerts
4. Goal: Improve agency and program management
 - a. Maintain high performer status with a SEMAP score of at least 95%
 - b. Achieve and maintain high voucher and funding utilization rates of at least 95%
 - c. Implement landlord portal with features including document uploading and electronic signature on contracts
 - d. Implement resident portal with features including online annual re-examination forms, document uploading, and online maintenance requests
 - e. Implement applicant portal with features including online access to application status, online application updates
 - f. Any additional programs or services funded through revenue from non-profit affiliate should be developed in consultation with subject matter experts based on data regarding local needs, in alignment with best practices, with outcomes measured.
5. Goal: Promote self-sufficiency and asset development of families and individuals
 - a. If Section 22 SVC is completed: Consider utilizing revenue from non-profit affiliate to:
 - i. Provide or attract at least two new supportive services to improve tenant employability
 - ii. Provide or attract at least two new supportive services to improve financial literacy
6. Goal: Utilize housing as a platform to improve quality of life
 - a. If Section 22 SVC is completed: Consider utilizing revenue from non-profit affiliate to:
 - i. Provide or attract at least two new supportive services to increase independence for elderly and disabled
 - ii. Provide or attract at least two new supportive services to increase health and wellness of residents
 - iii. Provide or attract at least two new supportive services to increase food security of residents
 - iv. Provide or attract at least two new supportive services to improve educational attainment of residents, such as promoting book rich environments
7. Goal: Ensure equal opportunity and affirmatively furthering fair housing
 - a. Take affirmative measures to ensure access to assisted housing for all protected classes or persons least likely to access assistance
 - b. Implement measures to deconcentrate poverty and expand housing opportunity, such as regional payment standards, policies that do not limit frequency of transfer, and consideration of poverty rates in assignment of project-based vouchers

RECOMMENDATION: Receive Report

AGENDA ITEM SUMMARY

MEETING DATE: January 22, 2020

ITEM NUMBER: 3C

FROM: Executive Director

SUBJECT: Relocation Assistance Program for Low-Income Families Experiencing No-Fault Evictions

RECOMMENDATION: Receive Report

BACKGROUND SUMMARY:

In November 2019, the Board of Commissioners discussed the applicability of the Tenant Protection Act of 2019 (AB 1482) to the Section 8 Housing Choice Voucher Program, as well as a proposal from Santa Cruz City Council to provide additional just cause eviction protections for Section 8 voucher families. The Board recommended that City Council extend the just cause eviction protections of AB1482 to voucher families so all renters would have *equal* eviction protections. Santa Cruz City staff also recommended this action, and City Council adopted the ordinance.

At this time, the Board of Commissioners also directed staff to explore the development of a relocation assistance program for low-income families experiencing no-fault evictions, and outreach to the County of Santa Cruz to determine whether such a program could be funded by the Housing Services Contract. Additionally, Santa Cruz City Council also directed City staff to explore the development of such a relocation assistance program, and to return to City Council as part of the 2020/2021 budget with a proposal.

Housing Authority staff have initiated conversations with both County and City staff to explore the development of a program, and how such a program may be funded. Initial conversations have centered around the concepts of 1) education and outreach about *existing* relocation and eviction prevention resources, including the development of a “one pager” or brochure to summarize existing resources, and 2) discussion of a potential pilot program that could operate as an expansion or enhancement of the security deposit assistance program by providing a relocation assistance stipend to eligible families. The security deposit program is available to all low-income families who are relocating, so low-income families experiencing a no-fault eviction would be a subset of this group, and a pilot program could possibly utilize economies of scale by sharing a common application and income eligibility process. A pilot program would also help to quantify how many low-income families experience no-fault evictions, which is not currently measured. County staff indicated that relocation assistance would most likely not be an eligible use of funds for the Housing Services Contract, as the funds are intended for development. However, staff will continue to work with County and City staff on education and outreach regarding existing resources and on a potential pilot program, and will keep the Board of Commissioners updated on the results of this effort.

RECOMMENDATION: Receive Report

AGENDA ITEM SUMMARY

MEETING DATE: January 22, 2020

ITEM NUMBER: 6A

FROM: Executive Director

SUBJECT: Section 8 Housing Choice Voucher Program: Voucher and Funding Utilization

RECOMMENDATION: Discussion

BACKGROUND SUMMARY:

The Housing Authority operates the Section 8 Housing Choice Voucher (HCV) Program within many programmatic and budgetary limitations. The following report summarizes voucher and funding utilization for CY 2019, as well as strategies for CY 2020 and beyond.

Voucher utilization - HUD has established the maximum number of vouchers that any PHA can administer through an Annual Contributions Contract (ACC). Although PHAs occasionally have an opportunity to increase the number of vouchers we may administer through a competitive grant application process, for the most part, the number of vouchers we may administer is static. Currently, the number of vouchers in our Section 8 ACC, including all Section 8 funded programs (such as HCV, PBV, VASH, etc.) is 5,058. This includes an increase of 137 new vouchers received in 2019, which is the biggest single year voucher increase in over a decade. The new vouchers consist of 50 Non-Elderly Disabled (NED) vouchers, 29 Veterans Affairs Supportive Housing (VASH) vouchers, and 58 Family Unification Program (FUP) vouchers received in April 2019. Voucher utilization measures the percentage of available vouchers that are currently in use, or “leased up” with a family receiving rental assistance.

Funding utilization – HUD establishes a PHA’s HCV budget by using the prior calendar year spending as a baseline. If funding is not sufficient to cover renewal of all vouchers nationally, HUD may “prorate” that baseline funding. Additionally, an inflation factor is applied to each agency’s HCV budget. The inflation factor is loosely based on increases to FMR. Therefore, our annual budget for any given year is our prior year spending, after being reduced by any proration factor, and increased by any inflation factor. If a PHA does not expend the entire budget, the unspent funds will roll over to the following year. Therefore, our total available funding is our annual budget plus any program reserves. For CY 2019, our annual budget was \$78,627,117 and our reserve funding was \$1,801,294 for a total available funding of \$80,428,411 (an increase of over \$16m from CY 2018 as a result of our FMR study). Funding utilization measures the percentage of annual budget expended.

Housing Authority staff work to develop a leasing strategy that makes the best use of the funding we expect to receive, maximizing the number of households assisted, and maximizing the funding utilization, within voucher and funding limitations. There are many factors that influence voucher and funding utilization, including a great deal of uncertainty and volatility among the following.

- Budget – PHAs establish payment standards in October for the following calendar year, but congress does not usually pass a budget in a timely manner. It is typical for PHAs to receive their final funding information for a calendar year in April (several months into that calendar year). While we know our baseline funding, we do not necessarily know the proration or inflation factors, which can

make a major impact on our budget, and therefore our strategy. Decisions are made based on projections, and information gleaned from industry analysts.

- Fair Market Rent (FMR) – PHAs must establish payment standards within 90% - 110% of the FMR. HUDs FMR methodology has been insufficient, and the results vary greatly from year to year. Even when an agency conducts their own FMR study, the agency will not know what FMR is finally approved from HUD until it is published in the Federal Register on October 1, leaving very little time to analyze results and plan for payment standard changes. It is currently our practice to conduct FMR studies every other year. We are currently in the process of initiating a new FMR study, which will be submitted to HUD by June 2020, and which will influence FMRs issued in October 2020, and inflation factors for CY 2021.

- Average Housing Assistance Payment (HAP) – When PHAs increase payment standards, the degree to which they will increase the average Housing Assistance Payment (HAP), and therefore increase the cost of the program, is unknown. Often, when payment standards increase, people move to more expensive units, which add additional program costs. Even without payment standard increases, average subsidy costs tend to increase over time. However, these average HAP increases are impacted by the degree to which landlords increase rents, and by the changes in each individual household’s family composition and income. Small changes in average HAP, when multiplied by thousands of families, have a very large impact on the cost of the program.

The Housing Authority has not achieved full voucher utilization since May 2013, the time of the federal sequestration. The sequestration was a drastic, unexpected, mid-year funding cut, which triggered a series of events that resulted in significant program attrition. For example, funding cuts result in spending cuts, which reduce the following year’s baseline budget. Additionally, multiple years of virtually static or even declining FMRs resulted in little to no inflation adjustment as well as payment standards that didn’t keep up with rising rents, and this resulted in reduced success rates which compound reductions in program size and budget, perpetuating a downward spiral in utilization.

Fortunately, recent successes of two subsequent FMR studies (and the associated increases in payment standard and funding) as well as additions to the project-based voucher program and efforts to increase landlord participation, have resulted in improvements to voucher and funding utilization in recent years. In 2019, we increased the size of the program by 137 new vouchers, increased the number of families assisted by 102 families, and increased our budget by over \$16 million dollars. During the first half of the calendar year, a significant amount of agency resources was devoted to the implementation of a new software program. Therefore, progress towards voucher and funding utilization was primarily concentrated in the second half of the calendar year. Additionally, two project-based voucher developments that had been projected for occupancy in July 2019 were delayed, with occupancy of Water Street Apartments in Santa Cruz taking place in September, and occupancy of Sunrise Senior Apartments in Hollister taking place in December 2019 and January 2020.

2019 Voucher and Funding Utilization Summary, Preliminary Data

	ACC	Units Leased*	Monthly Voucher Utilization	HAP Expended	Utilization of Available Funding
Jan-19	4,979	4,600	92.39%	\$5,849,407	87.27%
Feb-19	4,979	4,604	92.47%	\$5,914,141	88.24%
Mar-19	5,008	4,600	91.85%	\$6,004,073	89.58%
Apr-19	5,058	4,592	90.79%	\$6,057,110	90.37%
May-19	5,058	4,590	90.75%	\$6,090,697	90.87%
Jun-19	5,058	4,571	90.37%	\$6,150,992	91.77%

Jul-19	5,058	4,597	90.89%	\$6,222,325	92.84%
Aug-19	5,058	4,588	90.71%	\$6,285,326	93.78%
Sep-19	5,058	4,591	90.77%	\$6,378,821	95.17%
Oct-19	5,058	4,637	91.68%	\$6,481,482	96.70%
Nov-19**	5,058	4,699	92.90%	\$6,537,203	97.54%
Dec-19**	5,058	4,702	92.96%	\$6,538,993	97.56%
Total	60,488	55,371	91.54%	\$74,510,570	92.64%

* Units leased as reported to HUD in Voucher Management System (VMS)

** November 2019 and December 2019 projected based on current levels

Housing Authority staff are working to analyze various scenarios for 2020 and beyond. Based on forecasts from industry analysts, we are anticipating a national HAP proration of 99%, and a local inflation factor of approximately 3.2%. Although we will begin CY 2020 with over \$5m in program reserves, it is possible that the program will enter a “shortfall” status by the end of the calendar year. This will depend on a number of factors including leasing goals, and average HAP. Therefore, initial leasing goals for 2020 include beginning the year by issuing a number of vouchers that will cover program attrition (approximately 60 per month) until the fall when new FMRs are issued. At this time, we will have a better idea of the rate at which average HAP is increasing, and the size of the potential FMR and inflation factor increases we may receive in the following year. If the new study results in a large increase in FMR (at least 10% increase) we will be in a better position to accelerate our voucher issuance and lease up at the end of CY 2020, to help ensure that we can add as many families as possible (and spend as much HUD funding as possible) when we experience the resulting inflation factor increase.

Although the leasing strategy for 2020 is starting cautiously, there is still a reasonable chance that the program could end up in a shortfall by the end of the calendar year. Historically, if an agency cannot fund all currently utilized vouchers, HUD will provide additional funding to cover the gap in funding, and the agency will be required to agree to not issue any new vouchers until they are no longer in shortfall status. HUD has historically included shortfall funds in an agency’s baseline funding for the following year. Therefore, there are potential advantages of experiencing a shortfall, and some agencies have done so strategically. Based on the cautious leasing strategy described above, the primary factor that will determine whether or not our program experiences shortfall is the rate at which average HAP increases.

Staff will include updated information about leasing and funding utilization projections in the annual Agency Budget, which goes to the Board in the Spring, and will continue to keep the Board informed on other related factors, including the results of the FMR study.

RECOMMENDATION: Discussion

AGENDA ITEM SUMMARY

MEETING DATE: January 22, 2020

ITEM NUMBER: 6B

FROM: Executive Director

SUBJECT: Project Based Voucher Program – Criteria, Outreach, and Updates

RECOMMENDATION: Receive Report, Direction to Staff on Use of PBVs at Inclusionary and Density Bonus Units

BACKGROUND SUMMARY:

In recent years, the Housing Authority has sought to expand the Project Based Voucher (PBV) program in order to support the development of affordable housing, to increase the number of units exclusively available to voucher holders, and to increase voucher utilization. The Housing Authority accepts proposals from interested parties, and promotes the PBV program with affordable housing developers, market rate developers, landlords with distressed properties, and with local jurisdictions. Based on recent discussions with the Board of Commissioners, this report provides information and requests Board feedback regarding PBV program expansion criteria (specifically with regards to the use of PBVs in inclusionary or density bonus units), provides information about Housing Authority PBV outreach to affordable and market rate developers, provides information on wage requirements of development work on PBV units, and provides an update on recent PBV activity.

PBV Program Expansion Criteria

The Housing Authority has established goals related to the expansion of the PBV program, including goals proposed for inclusion in the upcoming 5 Year Agency Plan which are currently drafted as “increasing the size of the project-based voucher program by 300 vouchers, with at least 150 of those vouchers provided to new affordable housing developments”.

While the Board has consistently expressed support for the use of PBVs to assist with the development of new affordable housing, discussions have arisen about the potential for use of PBVs on units that are already required to be “affordable” such as inclusionary units and density bonus units.

As discussed in previous meetings, potential PBVs are evaluated to determine the extent to which the commitment of those PBVs will:

- Create new affordable housing opportunities
- Retain currently affordable housing that is at imminent risk of losing its affordability requirements
- Result in substantial improvements to existing housing that will keep units affordable

Local jurisdictions may establish inclusionary housing requirements, such that some percentage of new rental units constructed must be affordable to low-income households. Additionally, some jurisdictions establish density bonus incentives, which allows developers to increase the number of units that can be built at a given development, in exchange for a greater number of affordable units, or units with a deeper level of affordability. The inclusionary and density bonus requirements vary between jurisdictions.

To date, the Housing Authority has not committed PBVs to inclusionary or density bonus units. However, there is nothing that would necessarily prevent us from doing so as we seek to expand the program. On the surface, committing PBV to an inclusionary or density bonus unit does not appear to increase the supply of affordable housing, as the unit would, by definition, be affordable with or without the PBV. However, there may be instances where the commitment of PBVs to inclusionary or density bonus units ultimately does end up increasing the stock of affordable rental housing or meet other high priority needs for hard to house populations, such as the following:

- A development may not be financially viable without the commitment of PBVs to help meet inclusionary requirements (and therefore, may not get built at all without the PBVs)
- A developer may be willing to designate a greater number of affordable units (in excess of inclusionary requirements) with PBVs
- A developer may be willing to provide a deeper level of affordability on the affordable units with PBVs
- A developer may be willing to designate units to a particularly hard to house population (such as chronically homeless, homeless veterans, etc.) in exchange for PBVs
- A developer may be willing to establish a preference for HCVs in the market rate units at the site, in exchange for PBVs
- A developer may be willing to keep a designated complex affordable well past the expiration of an existing regulatory agreement in exchange for PBVs

Given that there are situations where the commitment of PBVs to units already designated as affordable may have significant community benefit, staff would propose to allow inclusionary and density bonus units for consideration of PBVs, as long as the developer can demonstrate how the commitment of PBVs to an already affordable unit ultimately will increase the supply of affordable housing, or retain existing affordable housing for a longer period of time. Additionally, HCV's can also be potentially used to help developers meet inclusionary requirements. Staff request feedback from the Board on this matter.

Housing Authority PBV Outreach

Agency staff meet regularly with affordable housing developers such as MidPen Housing, Eden, and CHISPA. All local affordable housing developers are aware of our goal of supporting affordable housing through our PBV program. We keep an open dialogue and invite developers to speak with us often about how vouchers might fit into a new or existing development. Housing Authority staff also meets with jurisdictional staff to promote the use of vouchers at existing or potential developments, and to ensure jurisdictions have enough information about the PBV program to consider how the program may help with developments that are struggling to balance affordability with financing and funding, for both affordable and market rate units. Finally, Agency staff also engage in regular discussions with market rate landlords and developers to promote both the PBV and HCV programs. We provide information about ways in which HUD and the Housing Authority have made changes to the PBV and HCV programs to make it easier and more feasible for landlords and developers, as well as highlighting increases in the Fair Market Rents which translate into higher rents for PBV and HCV owners alike. The prevailing wage requirements associated with development of PBV units (described below) are a very strong disincentive for market rate some developers.

PBV Development Wage Requirements

Federal regulations require that developers who use PBVs must carry out development work according to many federal standards, including requiring Davis-Bacon wage rates for all contractors, subcontractors, laborers and mechanics employed in the development of the housing. Davis-Bacon wages apply to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. These wage requirements increase the cost of development significantly. PBV owners are also subject to Section 3 requirements (regarding employers to provide training, employment, contracting and other economic opportunities to low- and very low-income persons to the extent possible), as well as equal

opportunity requirements. Taken together, the increased costs and reporting burden associated with these requirements act as a disincentive for market rate developers to apply for PBVs. However, most non-profit affordable housing developers are already subject to these requirements as a result of other funding sources such as Low-Income Housing Tax Credits, thus are used to the additional requirements but may still face some of the increased development cost of using PBVs in the development of affordable housing units. However, if an owner applies for PBVs after construction is complete (for existing units) this may be less of a disincentive.

Update on PBV Activity

In the past quarter, there has been a lot of activity in our Project Based Voucher program. Two new affordable housing developments have been completed and are currently occupied by low-income families. Water Street Apartments in Santa Cruz, with 33 project-based vouchers, was occupied in September 2019. Sunrise Senior Apartments in Hollister, with 48 project-based units, is currently in the process of leasing up, with all move-ins expected to be completed by the end of January.

Additionally, three new PBV proposals have been conditionally approved, including 31 senior units at an existing housing site as well as 4 existing single family homes in Watsonville available to formerly homeless families through Pajaro Valley Shelter Services, and 35 new units proposed to be developed on Capitola Road. We have also recently received a proposal to help support the development of new units to be built at Jesse Street Apartments in Santa Cruz (which has not yet been evaluated by staff) and we expect to receive two additional proposals later this quarter for more new developments, including Miles Lane in Watsonville and Phippen II, in the unincorporated part of the County adjacent to the City of Watsonville.

RECOMMENDATION: Receive Report, Provide Direction to Staff on Use of PBVs at Inclusionary and Density Bonus Units

AGENDA ITEM SUMMARY

MEETING DATE: January 22, 2020

ITEM NUMBER: 8

FROM: Executive Director

SUBJECT: Executive Director's Report – January 22, 2020

RECOMMENDATION: Receive Report

BACKGROUND SUMMARY:

Please call or e-mail me with questions you might have on any of the Agenda Items for the January 22, 2020 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.

Financial Reports: Your packets today include monthly unaudited financial reports which show revenue and expenses for the months of July through November, and a comparison against our approved budget(s) for FY 2019-2020.

Section 22 Streamlined Voluntary Conversion (SVC): At the December meeting, the Board approved the submittal of an application for Section 22 SVC. The San Francisco Field office is currently conducting a courtesy review of our draft application. So far, we have received positive feedback from the field office. Once their review is complete, we will implement any recommended changes and officially submit a formal application to the Special Application Center at HQ. We hope to submit the application to SAC by the end of January. We have continued to make progress with special counsel working with HUDs Office of General Counsel towards solutions regarding utilization of program reserves, including the possibility of transferring those funds to another agency with a public housing program, and entering into an agreement with that agency to receive something of value in exchange. We are simultaneously challenging HUDs assertion that submittal of the SVC application is the trigger point at which we can no longer conduct rehab work on the properties.

Expansion of VASH Eligibility: As we have discussed, the VASH program has eligibility criteria that excludes a significant number of homeless veterans based on length of service and discharge status. The House of Representatives has recently passed HR 2398, which would have the effect of expanding the VASH eligibility criteria to eliminate length of service requirements, and to allow veterans with “other than honorable” discharge status, as long as they do not have “dishonorable” discharge status. The bill will

advance to the Senate, where it has bipartisan support. Housing Authority staff have been in discussion with VA staff, as well as staff at various nonprofit organizations serving homeless veterans to attempt to connect VASH vouchers to homeless veterans who had been excluded. We will continue to advocate for expansion of eligibility, as such changes could allow our community to make major progress towards ending veteran homelessness.

CAHA Conference: Next month I will be attending the California Association of Housing Authorities (CAHA) Annual Conference in Long Beach. I will be participating as a panelist in a session regarding the impact and applicability of AB 1482, sharing information about the local ordinance adopted by the City of Santa Cruz, and the efforts to develop a relocation assistance program for low-income families experiencing a no-fault eviction. Other topics on the conference agenda include state funding for homelessness, project-based vouchers, MTW pilot program expansion, legislative updates, and more.

Landlord Incentive Program Update: In CY 2019, the Housing Authority Landlord Incentive Program was expanded beyond new landlords, to include all participating landlords. Over the course of the year, a total of seventeen landlord claims were processed, for a total of \$37,804. Of the claims processed, four were in the City of Santa Cruz (for a total of \$9,358), seven were in the City of Watsonville (for a total of \$16,958), and six were in the unincorporated part of the County (for a total of \$11,488). There were no claims from landlords in the cities of Capitola or Scotts Valley.

Legislative Update: Now that an appropriations bill has been approved for the 2020 FFY, Housing Authority staff await our final notification of funding. Based on the wording of the approved bill, we anticipate a HAP proration of 99%, with a modest inflation factor of 3.2%. The bill also included additional funding for Tenant Protection Vouchers (although not explicitly for LIPH repositioning). At this time, NAHRO, CAHA, and other industry advocates begin to develop an advocacy platform for the coming budget. In addition to increasing funding for the voucher program, including increases to administrative fees, initial conversations about advocacy have included funding for landlord incentives and further expansion of the MTW program.

**HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ
BUDGET COMPARISON REPORTS**

January 22, 2020

Attached you will find the year to date reports as of November 30, 2019, which takes us 5 months, or 42%, into our fiscal year. The total of all revenue, excluding HAP reimbursements, is 46% of total budgeted, while HAP is 40% of the amount budgeted. Total expenses, excluding HAP payments, are 45% of the amount budgeted.

The agency as a whole is experiencing a year-to-date surplus of \$186,677 due mainly to the Business Activities program group. The surplus and deficit by program group are as follows:

Section 8 Programs	(\$17,823)	Vouchers, Mod Rehab & Mainstream
Federal Housing Programs	67,159	LIPH and USDA
Federal Grants	(63,592)	Shelter + Care, FSS, Transitional Housing
State Grants	0	Buena Vista Migrant Center
Local Programs	(5,561)	Security Deposits, Landlord Incentives, Eligibilities
Business Activities	<u>206,494</u>	Includes 41st Ave Offices & Mission St Warehouse
Agency-Wide Surplus	\$186,677	

The following individual programs have a year-end deficit:

Family Self Sufficiency (FSS)	(\$31,728)	(Grant funds insufficient to cover personnel costs)
Section 8 Voucher Program	(\$58,568)	(General administrative expenses higher than budgeted due to software conversion)
County of Santa Cruz	(\$3,510)	(Local program funding insufficient to cover personnel costs)
Brommer Transitional Housing Program	(\$31,864)	(Emergency roof repair, rook leak displaced a tenant)

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ

Budget Comparison - All Funds

Agency-Wide Summary

Fiscal Year to Date for the Period July 1, 2019 - November 30, 2019

	FY 2018-2019	2019-2020	
	Actuals	Annual Budget	Budget Utilized
Revenues:			
HAPS / Program	32,414,323	80,946,166	40%
Administrative Fees	2,248,926	5,531,676	41%
Grants / Contracts	1,144,901	2,539,659	45%
Rental Income	1,309,605	3,161,055	41%
Operating Transfers In	982,126	1,195,290	82%
Other Income	115,004	248,824	46%
Total Revenues:	38,214,885	93,622,671	41%
Expenses:			
Housing Assistance Pmts	32,420,909	80,946,166	40%
Salaries	1,683,575	4,013,036	42%
Employee Benefits	725,701	1,903,295	38%
Capital Purchases	1,086,947	1,793,150	61%
Maintenance	631,765	1,619,623	39%
General Administrative	819,048	1,782,489	46%
Tenant Services	374,679	900,391	42%
Operating Transfers Out	285,584	417,281	68%
Debt Service	0	10,635	0%
Total Expenses:	38,028,208	93,386,066	41%
Surplus (Deficit):	186,677	236,605	

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ

Budget Comparison - Section 8

Includes Mod Rehab, Mainstream, and Santa Cruz Voucher Program

Fiscal Year to Date for the Period July 1, 2019 - November 30, 2019

	FY 2018-2019	2019-2020	
	Actuals	Annual Budget	Budget Utilized
Revenues:			
HAPS / Program	32,176,482	80,293,952	40%
Administrative Fees	2,222,932	5,464,325	41%
Grants / Contracts	-	-	0%
Rental Income	-	-	0%
Operating Transfers In	-	-	0%
Other Income	11,801	19,000	62%
Total Revenues:	34,411,215	85,777,277	40%
Expenses:			
Housing Assistance Pmts	32,176,482	80,293,952	40%
Salaries	1,239,370	2,988,226	41%
Employee Benefits	552,275	1,470,006	38%
Capital Purchases	-	-	0%
Maintenance	408	-	0%
General Administrative	460,503	1,043,472	44%
Tenant Services	-	-	0%
Operating Transfers Out	-	-	0%
Debt Service	-	-	0%
Total Expenses:	34,429,038	85,795,655	40%
Surplus (Deficit):	(17,823)	(18,378)	

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ

Budget Comparison - Federal Housing

Includes LIPH, Casa Pajaro (USDA), and Tierra Alta (USDA)

Fiscal Year to Date for the Period July 1, 2019 - November 30, 2019

	FY 2018-2019 Actuals	Annual Budget	Budget Utilized
Revenues:			
HAPS / Program	-	-	0%
Administrative Fees	-	-	0%
Grants / Contracts	238,365	424,320	56%
Rental Income	979,356	2,336,994	42%
Operating Transfers In	959,072	1,157,690	83%
Other Income	91,782	198,167	46%
Total Revenues:	2,268,575	4,117,171	55%
Expenses:			
Housing Assistance Pmts	8,836	-	0%
Salaries	331,027	729,665	45%
Employee Benefits	125,224	303,467	41%
Capital Purchases	1,042,145	1,317,900	79%
Maintenance	459,813	1,227,809	37%
General Administrative	208,714	430,832	48%
Tenant Services	-	-	0%
Operating Transfers Out	25,657	55,950	46%
Debt Service	-	10,635	0%
Total Expenses:	2,201,416	4,076,257	54%
Surplus (Deficit):	67,159	40,914	

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ

Budget Comparison - Federal Grants

Includes Capital Fund, FSS, Brommer Transitional Housing, Shelter Plus Care
Fiscal Year to Date for the Period July 1, 2019 - November 30, 2019

	FY 2018-2019	2019-2020	
	Actuals	Annual Budget	Budget Utilized
Revenues:			
HAPS / Program	237,841	652,214	36%
Administrative Fees	-	-	0%
Grants / Contracts	350,609	581,687	60%
Rental Income	7,576	24,000	32%
Operating Transfers In	-	37,600	0%
Other Income	1,587	1,105	144%
Total Revenues:	597,613	1,296,606	46%
Expenses:			
Housing Assistance Pmts	235,591	652,214	36%
Salaries	55,168	139,146	40%
Employee Benefits	26,609	68,494	39%
Capital Purchases	26,600	37,600	71%
Maintenance	12,011	31,684	38%
General Administrative	43,049	33,211	130%
Tenant Services	2,250	23,334	10%
Operating Transfers Out	259,927	361,331	72%
Debt Service	-	-	0%
Total Expenses:	661,205	1,347,015	49%
Surplus (Deficit):	(63,592)	(50,408)	

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ

Budget Comparison - State Grants

Includes Buena Vista Migrant Center

Fiscal Year to Date for the Period July 1, 2019 - November 30, 2019

		2019-2020	
	FY 2018-2019	Annual	Budget
	Actuals	Budget	Utilized
Revenues:			
HAPS / Program	-	-	0%
Administrative Fees	-	-	0%
Grants / Contracts	167,813	585,990	29%
Rental Income	-	-	0%
Operating Transfers In	23,054	-	0%
Other Income	5,699	13,758	41%
Total Revenues:	196,566	599,748	33%
Expenses:			
Housing Assistance Pmts	-	-	0%
Salaries	28,366	71,096	40%
Employee Benefits	10,457	29,082	36%
Capital Purchases	18,202	170,150	11%
Maintenance	113,276	253,419	45%
General Administrative	26,265	62,259	42%
Tenant Services	-	-	0%
Operating Transfers Out	-	-	0%
Debt Service	-	-	0%
Total Expenses:	196,566	586,006	34%
Surplus (Deficit):	0	13,742	

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ

Budget Comparison - Local Programs

Includes programs funded by the local jurisdictions

Fiscal Year to Date for the Period July 1, 2019 - November 30, 2019

		2019-2020	
	FY 2018-2019	Annual	Budget
	Actuals	Budget	Utilized
Revenues:			
HAPS / Program	-	-	0%
Administrative Fees	-	7,194	0%
Grants / Contracts	388,114	947,662	41%
Rental Income	-	-	0%
Operating Transfers In	-	-	0%
Other Income	2,835	612	463%
Total Revenues:	390,949	955,469	41%
Expenses:			
Housing Assistance Pmts	-	-	0%
Salaries	14,300	49,625	29%
Employee Benefits	5,034	17,219	29%
Capital Purchases	-	-	0%
Maintenance	3	-	0%
General Administrative	4,745	9,442	50%
Tenant Services	372,429	877,057	42%
Operating Transfers Out	-	-	0%
Debt Service	-	-	0%
Total Expenses:	396,511	953,344	42%
Surplus (Deficit):	(5,561)	2,125	

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ

Budget Comparison - Business Activities

Includes Business - Type Activities for Mission Street Warehouse, 41st Ave Office, and the Management Funds for Buena Vista and Merrill Road

Fiscal Year to Date for the Period July 1, 2019 - November 30, 2019

		2019-2020	
	FY 2018-2019	Annual	Budget
	Actuals	Budget	Utilized
Revenues:			
HAPS / Program	-	-	0%
Administrative Fees	25,994	60,157	43%
Grants / Contracts	-	-	0%
Rental Income	322,673	800,061	40%
Operating Transfers In	-	-	0%
Other Income	1,300	16,182	8%
Total Revenues:	349,966	876,400	40%
Expenses:			
Housing Assistance Pmts	-	-	0%
Salaries	15,344	35,278	43%
Employee Benefits	6,102	15,027	41%
Capital Purchases	-	267,500	0%
Maintenance	46,662	106,711	44%
General Administrative	75,364	203,273	37%
Tenant Services	-	-	0%
Operating Transfers Out	-	-	0%
Debt Service	-	-	0%
Total Expenses:	143,472	627,789	23%
Surplus (Deficit):	206,494	248,611	