

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ
AGENDA OF THE REGULAR BOARD MEETING
August 26, 2020
11:30 a.m.
TO BE HELD AT:
HOUSING AUTHORITY OFFICES
2160 41st Avenue, Capitola, CA 95010

- Due to the shelter-in-place directive, in lieu of attending the meeting in person, members of the public are invited to submit their comments via email to housing@hacosantacruz.org prior to the meeting or call into the conference line during the board meeting at **(515) 604-9808 enter** the access code: **329215**.

1. Roll Call

HOUSING AUTHORITY BOARD OF COMMISSIONERS:

Chairperson Sonja Brunner	4 year term expires, September 1, 2023
Vice Chairperson Andy Schiffrin	4 year term expires, March 17, 2023
Commissioner Carol Berg	4 year term expires, May 21, 2021
Commissioner Ligaya Eligio	2 year term expires, October 18, 2020
Commissioner Rebecca Garcia	4 year term expires, February 10, 2023
Commissioner Annette Melendrez	4 year term expires, September 29, 2023
Commissioner Richard Schmale	2 year term expires, May 12, 2021

2. Consideration of Late Additions and Changes to the Agenda

3. Consent Agenda

A. Minutes of the Regular Meeting held June 24, 2020

Motion to Approve as Submitted

B. Family Self-Sufficiency Program Renewal Grant

Motion to Adopt Resolution No. 2020-06: Retroactive Authorization of a Grant Application Submittal, the Execution of a Grant Agreement and Any Amendments Thereto, and Any Other Documents Necessary to Secure a U.S. Department of Housing and Urban Development (HUD) Family Self Sufficiency (FSS) Coordinator Renewal Grant

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. COVID-19 Updates

Receive Report

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

Receive Report

D. Executive Director Goals

Discuss Goals that the Board of Commissioners Established for Executive Director

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.

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AGENDA ITEM NO. 1

Roll Call

Chairperson Brunner called the meeting to order at 11:32 a.m. Members present via phone conference Chairperson Brunner, Vice Chairperson Schiffrin, Commissioners Berg, Eligio, Garcia, and Schmale

Members Absent

(Commissioner Melendrez enter the meeting at 11:55 a.m.)

Staff Present

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

Also present: Architects Thomas Thacher and Matthew Thompson with Thacher & Thompson Architects

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

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

Agenda Item 3A. Approved the Minutes of the Regular Meeting held May 27, 2020

Agenda Item 3B. Approved the Cancellation of the Meeting of July 22, 2020 Regular Meeting

Agenda Item 3C. Authorized Capitalization Loan To New Horizons Affordable Housing And Development Inc.

Agenda Item 3D. Adopt Resolution No. 2020-03: Approval of Fiscal Year 2020-21 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. 2020-04: Approval of Fiscal Year 2020-21 Budget for U.S. Department of Agriculture, Rural Development, Farm Labor Housing at 101 Tierra Alta Drive, Watsonville, CA (“Tierra Alta”)

AGENDA ITEM NO. 4

Oral Communications

Due to the shelter-in-place directive, in lieu of attending the meeting in person, members of the public were invited to submit their comments via email to housing@hacosantacruz.org prior to the meeting or call into the conference line during the board meeting at (515) 604-9808 enter the access code: 329215. No emails with comments were submitted and no public members joined the meeting.

AGENDA ITEM NO. 5

Unfinished Business

None.

AGENDA ITEM NO. 6A

Zoning and Pre-Development of 415 Natural Bridges Drive

Secretary Panetta reminded the Board that the Housing Authority staff and the Board of Commissioners established a goal of developing affordable housing on the vacant lot owned by the Housing Authority at 415 Natural Bridges Drive. The goals proposed for the development were to ensure that 100% of the units were affordable housing for low income families, to maximize the number of units available on the site, and utilize as many energy efficient and green design measures as possible.

Housing Authority staff has been working with Thatcher & Thompson (T&T) and William Kempf, Architects in developing the site. T&T developed a conceptual plan that includes 20 studio apartments. Studio apartments were selected as there is a strong demand for such units in the community. Studios also provide for the greatest number of units at this site, and our current portfolio of housing units lacks this unit type. HA staff and Tom Thatcher had a pre-development meeting with City Planning staff to discuss the proposed project, to determine whether such a project may be permissible, and to gauge the City's receptivity to the conceptual plan. In February, the Board discussed the need for units that enhance livability, and inquired about the possibility of utilizing all of the parking spaces we have access to in Toadal Fitness parking lot, to either build more units, or to make each unit larger. Finally, one Commissioner expressed concerns about utilizing a Planned Development (PD) to achieve a higher level of density than would otherwise be allowed. The Board provided positive feedback regarding the general concept and the focus on studio apartments, and directed staff to come back to the Board with additional information and clarification on zoning ordinances and density bonus options to see if the Housing Authority can accomplish the desired density without accomplishing it through a Planned Development (PD) project.

T&T informed the Board that in their opinion, there is no way to achieve the desired level of density without processing the site as a PD. Additionally, T&T indicated that they believe the proposed unit size is comfortable for 1 person and adequate for 2 people especially with additional storage space, on-site laundry facility and common area space. They have also committed to designing the units with a goal of maximizing the elements that promote livability. Finally, with regards to parking, the initial concept with 20 studio apartments does not utilize any of the parking at Toadal Fitness. Although the HA could utilize some of that space for parking to free up more space for the development, it is unlikely we would be able to add more than 20 units at the site. If the HA does utilize parking spaces in Toadal Fitness, the HA potentially limits our options with how that site could be used in the future once the lease with Toadal

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expires. In the future, the HA may wish to sell the site, lease it to another party, or develop low income housing on it. Therefore, if we are able to achieve the desired level of density and meet parking requirements without permanently borrowing spaces from the Toadal lot, it is an ideal way to keep our options open for the Mission Street site.

Secretary Panetta informed the Board that Commissioner Schiffrin had submitted questions by email before the meeting and turned the discussion over to T & T to answer those zoning questions, as well as anything else the Board would like have further information on. A discussion followed.

Commissioner Schiffrin made a motion that the Board establish a subcommittee to meet with the Housing Authority staff, architects and city staff to talk about possible options with regards to zoning, and review conceptual drawings. This subcommittee would then make a recommendation for the full Board of Commissioners to consider. Commissioner Schiffrin volunteered to be on the subcommittee. Commissioner Garcia seconded the motion. Commissioner Berg also volunteered to be on the subcommittee after further discussion. The motion passed by the following vote:

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

Deputy Director Failor, Thomas Thacher and Matthew Thompson with Thacher & Thompson Architects exited the meeting at 12:22 p.m. with thanks for the Board of Commissioners and Secretary Panetta.

AGENDA ITEM NO. 6B Agency Budget for FY 2020-2021

Secretary Panetta and Finance Director Pomeroy gave a brief recap of the Agency Budget FY 2020-2021 which was presented to the Board at the May 27, 2020 Regular Meeting. Finance Director Pomeroy informed the Board that the Agency Budget for FY 2020-2021 also includes approval of the Low Income Public Housing (LIPH) operating budget Resolution No. 2020-05. The budgets are now before the Board of Commissioners for approval. Commissioner Garcia suggested that the Board be provided with an update on the budget quarterly. Secretary Panetta informed the Board that staff have recently transitioned to a quarterly Board Financial Report which is placed on the consent agenda and can be pulled for further discussion if needed.

Commissioner Schiffrin moved to Approve Agency Budget for FY 2020-2021; Adopt Resolution No. 2020-05 Approval of Operating Budget for Low Income Public Housing for Fiscal Year 2020-2021; 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

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, MINUTES OF THE REGULAR MEETING, JUNE 24 2020 AT THE HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, 2160 41ST AVENUE, CAPITOLA, CA 95010

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Finance Director Pomeroy exited the meeting at 12:26 p.m. with thanks from the Board of Commissioners.

AGENDA ITEM NO. 7 Written Correspondence
None.

AGENDA ITEM NO. 8 Report of Executive Director

Executive Director Panetta updated the Board of the Streamlined Voluntary Conversion. The application is moving along through the process, and is likely to be approved.

Executive Director Panetta updated the Board on the status on the FMR Study. Applied Research has finished data collection for the 2020 study and went above and beyond their contractual obligations getting the data considering the shelter in place.

Executive Director Panetta updated the Board on the voucher utilization and new admissions to the Section 8 program.

Executive Director Panetta updated the Board on how COVID-19 is affecting the Housing Authority.

Executive Director Panetta informed the Board that there are two virtual conferences this summer that might be of interest to the Commissioners. If the Commissioner would like to attend, please let staff know.

Executive Director Panetta gave the Board a legislative update.

AGENDA ITEM NO. 9 Reports from Board Members

Commissioner Schiffrin will be recusing himself during the City Planning Commission meeting when the Natural Bridges project comes before the commission so he can continue to participate on the Housing Authority Board with no conflict on interest.

AGENDA ITEM NO. 10 Closed Session

Commissioner Garcia suggested that a Closed Session discussion wasn't needed since the discussion will be relating to Executive Director goals, which should take place during the public meeting. The Board agreed. The Closed Session item was cancelled, and the item will be placed on the regular agenda at the August meeting.

AGENDA ITEM NO. 11 Report on Closed Session
None.

AGENDA ITEM NO. 12 Adjournment

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, MINUTES OF THE REGULAR MEETING, JUNE 24 2020 AT THE HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, 2160 41ST AVENUE, CAPITOLA, CA 95010

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Chairperson Brunner, the Board of Commissioners and Housing Authority staff wished Commissioner Garcia a very Happy Birthday.

The Board of Commissioners meeting was adjourned at 12:44 p.m.

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

Chairperson of the Authority

ATTEST: _____

Secretary

AGENDA ITEM SUMMARY

MEETING DATE: August 26, 2020

ITEM NUMBER: 3B

FROM: Executive Director

SUBJECT: Family Self-Sufficiency Program Renewal Grant

RECOMMENDATION: Adopt **Resolution No. 2020-06:** Retroactive Authorization of a Grant Application Submittal, the Execution of a Grant Agreement and Any Amendments Thereto, and Any Other Documents Necessary to Secure a U.S. Department of Housing and Urban Development (HUD) Family Self Sufficiency (FSS) Coordinator Renewal Grant

BACKGROUND SUMMARY:

The Housing Authority of the County of Santa Cruz has administered a Family Self Sufficiency Program (FSS) for participants in the Santa Cruz County Section 8 Housing Choice Voucher (HCV) Program since 1994, and expanded the program to include Low Income Public Housing (LIPH) in 2005. The Housing Authority calls the program Housing Plus to encourage HCV and LIPH participants to join.

The FSS program assists families who are transitioning from welfare to work. As a family's earned income increases, the family's monthly rent payment increases proportionately. If the family is enrolled in the FSS program, the Housing Authority places an amount equal to the monthly increase in the family's rent into an escrow savings account for the family. The escrow account is administered by the Housing Authority in compliance with FSS program requirements. As a participant in the program, the family meets with an FSS coordinator and establishes goals for becoming welfare-free and increasing financial self-sufficiency. If the family reaches their goals (as stated in a contract they sign with the Housing Authority), the escrow account funds are disbursed to them. While there is no restriction on the use of these funds, many families use these funds to pay for education and some have even used the funds for a down-payment on a home.

The Agency has funding from HUD for 2.0 FTE FSS coordinators. HUD requires 75 participants for grant funds for 2 FTEs. Currently we are serving 80 persons on the program. 50 of our current program participants have positive balances in their escrow accounts. The escrow accounts average balance is \$4,556.12. HUD allocates funding for FSS coordinator positions to ensure that families participating in the FSS program have sufficient staff support for their efforts to reach their self-sufficiency goals. This year's application is a request for \$152,078 to continue the equivalent of 2.0 FTE positions.

RECOMMENDATION: Adopt **Resolution No. 2020-06:** Retroactive Authorization of a Grant Application Submittal, the Execution of a Grant Agreement and Any Amendments Thereto, and Any Other Documents Necessary to Secure a U.S. Department of Housing and Urban Development (HUD) Family Self Sufficiency (FSS) Coordinator Renewal Grant.

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

RESOLUTION NO. 2020-06

On the motion of Commissioner
Duly seconded by Commissioner
The following resolution is adopted:

**RESOLUTION RETROACTIVELY AUTHORIZATING THE
SUBMITTAL OF A GRANT APPLICATION, THE EXECUTION OF A
GRANT AGREEMENT AND ANY AMENDMENTS THERETO, AND
ANY OTHER DOCUMENTS NECESSARY TO SECURE A U.S.
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)
FAMILY SELF SUFFICIENCY COORDINATOR RENEWAL 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 (HUD) is authorized to make grants under the Housing Choice Voucher and Low Income Public Housing Family Self Sufficiency Programs - Renewal; and

WHEREAS, the Family Self Sufficiency Program helps assisted families transition from welfare to work; and

WHEREAS, the Housing Authority of the County of Santa Cruz has established a voluntary FSS program for Housing Choice Voucher and Low Income Public Housing tenants;

WHEREAS, HUD has made funding available for Family Self Sufficiency Coordinators; and

WHEREAS, the Applicant is eligible to apply for \$152,078 in funding for 2.0 FTE Family Self Sufficiency Coordinators.

NOW, THEREFORE, BE IT RESOLVED that the PHA shall be retroactively authorized to submit to HUD a grant application for the Family Self Sufficiency Program Renewal; Jennifer Panetta, the Executive Director, is hereby authorized to enter into a grant agreement with HUD; and to execute in the name of the Housing Authority of the County of Santa Cruz, the grant application and the grant agreement, and any other documents necessary to secure the HUD grant.

PASSED AND ADOPTED by the Commissioners of the Housing Authority of the County of Santa Cruz, State of California, this Twenty-sixth day of August 2020, by the following vote:

AYES:
NOES:
ABSENT:

Chairperson of the Authority

ATTEST:

Secretary of the Authority

AGENDA ITEM SUMMARY

MEETING DATE: August 26, 2020

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 26, 2020

ITEM NUMBER: 6B

FROM: Executive Director

SUBJECT: COVID-19 Updates

RECOMMENDATION: Receive Report

BACKGROUND SUMMARY:

The following information is a summary with updates on various regulatory, programmatic, and financial aspects of the COVID-19 pandemic and its continued impacts on our Agency and programs.

COVID-19 Updates

- Waiver status – HUD has extended all COVID related “blanket” waivers until 12/31/20, with the possibility to extend them further if needed. To date, HUD has still not responded to the supplemental waivers requested by our Agency.
- COVID-19 Admin Funding – HUD has confirmed that PHAs may use COVID-19 for regular, routine salaries and benefits which may not be a direct result of COVID-19, during the period of time when the agency’s operations are impacted by COVID-19. Therefore, we have been using the admin funds for salaries and benefits. Regular (non COVID-19) admin funds may be used for COVID-19 related purposes, such as personal protective equipment and IT / equipment. This strategy will allow us to expend the funds prior to the deadline to avoid the risk of recapture, and also expends the funds in the manner that would be easiest to justify during the course of an audit. In round one of CARES Section 8 admin funding, we received an \$1,045,166. We received an additional \$1,356,747 in Section 8 admin funding this month. This represents the final distribution of Section 8 admin funds available through the CARES Act.
- COVID-19 HAP Funding – As we have reported, the Housing Authority has experienced increases in the average per unit cost (PUC) for the Section 8 program, as the income of many program families has decreased. Prior to the pandemic, PUC had been increasing approximately \$10 - \$12 per month, which was consistent with our initial budgetary projections. However, in April and May, PUC increased more than \$20 per month. Beginning in June, PUC seems to have stabilized. HA staff are watching PUC trends closely to monitor their impact on our voucher and funding utilization. Based on the increases in

PUC and lease up, we expect that the Section 8 program would be in a funding shortfall position by the end of the calendar year if we do not receive additional funds. However, HUD has provided PHAs with an opportunity to apply for additional CARES Act HAP funding due to “extraordinary circumstances” resulting from increases in PUC as a result of the pandemic. While we expect that the need for such funds may exceed the funds available nationally, our PHA was eligible for a priority application status. Priority applications will be funded on a “first come, first served” basis. Our PHA submitted our application for CARES Act HAP funding within hours of the guidance being posted by HUD. While we estimated a potential shortfall of approximately 2.5 million dollars, we were eligible to apply for over 5 million dollars. HUD expects to inform priority applicants of the status of their funding by the end of September.

RECOMMENDATION: Receive Report

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ

AGENDA ITEM SUMMARY

MEETING DATE: August 26, 2020

ITEM NUMBER: 6C

FROM: Executive Director

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

RECOMMENDATION: Receive Report

BACKGROUND SUMMARY:

The Housing Authority application for Section 22 Streamlined Voluntary Conversion (SVC) has been approved! Our SVC was the second application in the nation to be approved for this type of conversion, and we are among a cohort of four agencies nationally that will be completing this process in the first round of applications. Since this is a new type of conversion, we will be working closely with HUD to determine the next steps and timeline. At this time, we are still pending the award of the 234 Tenant Protection Vouchers we are eligible to receive as part of this conversion. Once we are formally awarded these vouchers, we will work with HUD on the process by which we notify residents and begin eligibility determinations. At this point, it looks like the soonest possible conversion date would be January 1, 2021. However, the steps of the process have not all been communicated to our agency, so it is not yet possible to provide a concrete timeline or conversion date. We are eager to complete the conversion at the earliest possible date, for the benefit of our residents and our Agency.

Housing Authority staff continue to work with our legal counsel on items related to the conversion, including items related to the establishment of New Horizons Affordable Housing and Development. We have not yet received our income tax exemption from the IRS, which is needed to apply for property tax exemption. New Horizons will also need to adopt a logo as part of our efforts to differentiate the PHA from the non-profit. PHA staff have worked with designer on draft logos, and will provide three potential designs to the Board of Commissioners next month. As a reminder, New Horizons will be the owner and property manager of the formerly LIPH units (upon conversion), and Housing Authority staff will perform the property management functions for New Horizons. While Housing Authority staff have been authorized as the founding Board of Directors of New Horizons, the composition of the New Horizons Board will transfer to the Housing Authority Board once the conversion and related entity formation steps are complete (such as income and property tax exemption applications).

Housing Authority staff have also been working towards strategies to avoid or limit recapture of remaining public housing reserve funds. HUD has issued recent guidance on this subject which seems to confirm that

PHAs may transfer reserves to another agency even after conversion is complete, although the circumstances under which such a transfer are allowable, and how they may be used after the transfer, are still ambiguous. We continue to work with legal counsel to better understand what kind of transfer and partnership HUD might allow, and we have begun conversations with neighboring MTW PHAs that still have a public housing program to see who may be receptive to such a transfer and partnership. Additionally, we are exploring other options, including requesting a waiver from HUD to allow us additional time to spend the funds for their original purpose. Recently, PHA staff and our legal counsel met with HUD staff from the field office, the Special Application Center, HUD Headquarters, and HUD's Office of General Council. After exploring all of the potential strategies, HUD appears most receptive to the transfer of funds strategy, and HUD staff have agreed to provide more guidance on this approach. Potentially, the agreement we enter with the MTW PHA that would receive the funds would allow us to utilize these funds for the development of our Natural Bridges project. HUD staff have also confirmed this type of transfer would take place after conversion is complete, so we can continue to work with HUD on the details without delaying the conversion.

RECOMMENDATION: Receive Report

MEETING DATE: August 26, 2020

ITEM NUMBER: 6D

FROM: Board Chair

SUBJECT: Executive Director Goals

RECOMMENDATION: Discuss Goals that the Board of Commissioners Established for Executive Director

BACKGROUND SUMMARY:

At the May meeting, the Housing Authority Board of Commissioners completed a performance evaluation of the Executive Director and renewed her employment contract. As part of the performance evaluation, the Board has established specific goals for the Executive Director to focus on in the coming year. Progress towards these goals will be measured at the following performance evaluation.

The goals established by the Board of Commissioners are as follows:

1. Complete the application process for the new affordable housing development of the Natural Bridges site and identify potential funding sources for construction.
2. Project Based Vouchers approved for at least 10% more units over previous year.
3. At least two of the service objectives in the Five Year Plan are successfully implemented.
4. Implementation of the Section 8 inclusionary program at the City of Santa Cruz is successful with Housing Authority assistance.
5. The Section 8 preference for homeless families provides leased up vouchers for at least 10 homeless families.

This discussion will provide the Board with an opportunity to discuss these goals with the Executive Director.

RECOMMENDATION: Discuss Goals that the Board of Commissioners Established for Executive Director.

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ

AGENDA ITEM SUMMARY

MEETING DATE: August 26, 2020

ITEM NUMBER: 8

FROM: Executive Director

SUBJECT: Executive Director's Report – August 26, 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 August 26, 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.

FMR Study: HUD has issued new Fair Market Rents (FMRs) which will be effective on 10/1/2020 for the coming federal fiscal year. As expected, the FMRs for Santa Cruz County increased significantly as a result of our FMR study, with the 2 BR FMR (the figure used for our renewal funding inflation factor) increasing by 20%. Our PHA was the only PHA in the nation that submitted an FMR study in advance of the publication of FMRs. Our increase in FMRs was the third highest in the nation. This increase in FMR will allow us to increase Payment Standards, which in turn will make each voucher more competitive in the private market and will also reduce rent burdens of Section 8 families. It is also very likely that this will significantly increase our Section 8 funding by millions of dollars, allowing us to serve more families. The specific impact of the FMRs on funding will be available when HUD issues inflation funding factors, typically in December. I will keep the Board posted when this information is available.

Unfortunately, the FMRs for San Benito County decreased slightly, by approximately 2.5%. However, HUD will allow us to “hold harmless” all families already housed in the program. Therefore, no-one will experience a decrease in subsidy as a result of this change. Instead, new families looking for a unit will be subject to slightly reduced Payment Standards. If this Payment Standard decrease results in a decrease in families leased in the program, we can apply for a waiver from HUD.

The new FMRs for Santa Cruz and San Benito County are attached for your reference.

Natural Bridges Sub-Committee Update: At the June meeting, the Board of Commissioners established a sub-committee to work with staff on the plans for the affordable housing to be built at the Natural Bridges site. Commissioners Schiffrin and Berg agreed to participate in this sub-committee. The sub-committee

will discuss issues related to zoning, as well as conceptual drawings prepared by our architect, and will provide a recommendation to the Board of Commissioners. This sub-committee has made significant progress since the June meeting, including proposing a zoning approach that may allow for 20 units, but that avoids the initial concerns about using a Planned Development to increase density. This zoning approach will need to be reviewed by the City. Additionally, the sub-committee has discussed an updated conceptual drawing with the architects, that reflects feedback the Board expressed at the June meeting. This updated conceptual drawing would utilize the 10 parking spaces that Toadal Fitness has agreed to provide, and increases the amenities provided at the site to improve quality of life and livability of the units, including patios/decks, storage lockers, and additional landscaping. The sub-committee and HA staff will meet with City staff to discuss the proposed zoning approach. If the approach appears to be viable, the proposal will go before the Board of Commissioners for approval.

Public Charge Rule: The Department of Homeland Security (DHS) issued the final Public Charge Rule on August 14, 2019. According to the rule, any individual who is applying for admission to the United States is inadmissible if they are likely to become a “public charge”. The rule would define “public charge” based on the receipt of public benefits including federal rental assistance. On July 29, 2020 the US District Court for the Southern District of New York issued a preliminary injunction and temporary stay of the public charge rule, stating that US Citizen and Immigration Services “cannot enforce, apply, implement or treat as effective the Public Charge rule as long as there is a declared national health emergency in response to the COVID-19 outbreak”. The preliminary injunction and temporary stay applies nationwide.

AFFH Rule Change: In late July, HUD published a final rule titled “Preserving Community and Neighborhood Choice.” This rule implements the Fair Housing Act’s duty to affirmatively further fair housing AFFH. HUD did not follow the notice-and-comment rulemaking requirements normally required by the Administrative Procedure Act (APA). The Department believes that this rule falls in an exception to the notice-and-comment requirement, which exempts notice-and-comment rulemaking for matters “relating to agency management or personnel or to public property, loans, grants, benefits, or contracts.” Despite the exception by the APA, the Department has historically made a practice to follow the normal notice-and-comment rulemaking process in establishing rules on these issues, but has decided to waive its normal policy because the AFFH rule “has already been the subject of extensive public debate.”

This rule defines the phrase “affirmatively further” as “any action rationally related to promoting any attribute or attributes of fair housing.” In essence, this change broadens the term affirmatively furthering fair housing to make it an easier requirement to meet. Jurisdictions will continue to be required to consult with PHAs on their consolidated plans, and PHAs will provide data to help inform the analysis within these plans. PHAs will be required to include demographics in our annual and 5 year PHA plans, as well as to certify that our PHA plans are consistent with consolidated plans, and to certify that we comply with fair housing requirements.

At a time when there is an emerging national recognition and awareness of systemic racism, while many public agencies are taking a deeper look into their own policies and practices to identify any policies or practices that result in disparate impact, and to look for opportunities to be more inclusive and more diverse, HUD is reducing fair housing requirements. Fortunately, NAHRO is taking a leadership role on diversity

and equity, and is working on developing a toolkit to assist PHAs in looking at diversity, representation, and equity in programs, policies, and practices, along with providing additional fair housing and equity training that will include unconscious bias training.

Legislative Update: Just before August recess, Senate Republicans unveiled their new COVID-19 emergency legislation, proposing an additional \$3.2 billion in funding for HUD programs for public housing agencies (PHAs) as they resume business operations. The Senate introduced the “Health, Economic Assistance, Liability Protections, and Schools” Act over two months after the passage of the House’s “Health and Economic Recovery Omnibus Emergency Solutions Act” (HEROES bill). There are stark disparities between HEALS and HEROES. Most notably, the Senate HEALS proposal does not include the \$100 billion in rental assistance to Americans who currently do not receive assistance and does not extend the federal eviction moratorium. It also funds HUD programs administered by PHAs at approximately \$1.5 billion less than HEROES.

Although we are still in the middle of the COVID-19 crisis, and the fate of the HEROES act and HEALS act are undetermined, the end of the fiscal year is coming quickly. FY 2021 has the potential to be a rough year for funding. The budget deal approved by Congress last summer set spending levels at only \$5 billion above current funding levels, which isn’t enough to cover regular annual cost increases to all federal programs. Without an increase to the cap or another budget solution, just keeping HUD funding level in FY 2021 is going to be a challenge. Fortunately, the FMR study conducted by our Agency positions us for a bigger piece of a shrinking pie, and even if national Section 8 funding receives modest cuts, our budget should still increase enough for us to add more families to the program and make additional progress towards the goal of 100% utilization.



FY 2021 FAIR MARKET RENT DOCUMENTATION SYSTEM

Final FY 2021 FMRs By Unit Bedrooms				
Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
\$1,993	\$2,292	\$3,021	\$3,947	\$4,419

The FY 2021 Fair Market Rents for Santa Cruz-Watsonville, CA MSA are based on the results of a local rent survey conducted in June, 2020.

The locally conducted survey is more current than the available ACS data. Therefore HUD calculates the locally based survey 2-bedroom FMR using the following steps:

1. The local survey amount is trended forward to the midpoint of FY 2021 using 3.33 quarters of trending for the *West Census region*. This calculation is:

$$\$2,966 * 1.0185 =$$

\$3,021

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- Alameda County, CA
- Alpine County, CA
- Amador County, CA
- Butte County, CA
- Calaveras County, CA

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Select a Final FY 2021 Metropolitan FMR Area:

Santa Cruz-Watsonville, CA MSA
▼

Select Metropolitan FMR Area

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FY 2021 FAIR MARKET RENT DOCUMENTATION SYSTEM

The FY 2021 San Benito County, CA HUD Metro FMR Area FMRs for All Bedroom Sizes

Final FY 2021 & Final FY 2020 FMRs By Unit Bedrooms					
Year	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
FY 2021 FMR	\$1,200	\$1,270	\$1,674	\$2,396	\$2,898
FY 2020 FMR	\$1,290	\$1,298	\$1,710	\$2,467	\$3,002

San Benito County, CA is part of the San Benito County, CA HUD Metro FMR Area, which consists of the following counties: San Benito County, CA. All information here applies to the entirety of the San Benito County, CA HUD Metro FMR Area.

Fair Market Rent Calculation Methodology

— [Show/Hide Methodology Narrative](#) —

Fair Market Rents for metropolitan areas and non-metropolitan FMR areas are developed as follows:

1. 2014-2018 5-year American Community Survey (ACS) estimates of 2-bedroom adjusted standard quality gross rents calculated for each FMR area are used as the new basis for FY2021 provided the estimate is statistically reliable. For FY2021, the test for reliability is whether the margin of error for the estimate is less than 50% of the estimate itself and whether the ACS estimate is based on at least 100 survey cases. HUD does not receive the exact number of survey cases, but rather a categorical variable known as the count indicator indicating a range of cases. An estimate based on at least 100 cases corresponds to a count indicator of 4 or higher.

If an area does not have a reliable 2014-2018 5-year, HUD checks whether the area has had at least minimally reliable estimate in any of the past 3 years, or estimates that meet the 50% margin of error test described above. If so, the FY2021 base rent is the average of the inflated ACS estimates.

If an area has not had a minimally reliable estimate in the past 3 years, the estimate State for the area's corresponding metropolitan area (if applicable) or State non-metropolitan area is used as the basis for FY2021.

2. HUD calculates a recent mover adjustment factor by comparing a 2018 1-year 40th percentile recent mover 2-bedroom rent to the 2014-2018 5-year 40th percentile adjusted standard quality gross rent. If either the recent mover and non-recent mover rent estimates are not reliable, HUD uses the recent mover adjustment for a larger

geography. For metropolitan areas, the order of geographies examined is: FMR Area, Entire Metropolitan Area (for Metropolitan Sub-Areas), State Metropolitan Portion, Entire State, and Entire US; for non-metropolitan areas, the order of geographies examined is: FMR Area, State Non-Metropolitan Portion, Entire State, and Entire US. The recent mover adjustment factor is floored at one.

3. HUD calculates the appropriate recent mover adjustment factor between the 5-year data and the 1-year data and applies this to the 5-year base rent estimate.
4. Rents are calculated as of 2019 using the relevant (regional or local) change in gross rent Consumer Price Index (CPI) from annual 2018 to annual 2019.
5. All estimates are then inflated from 2019 to FY2021 using a trend factor based on the forecast of gross rent changes through FY2021.
6. FY2021 FMRs are then compared to a State minimum rent, and any area whose preliminary FMR falls below this value is raised to the level of the State minimum.
7. FY2021 FMRs may not be less than 90% of FY2020 FMRs.

The results of the Fair Market Rent Step-by-Step Process

1. The following are the 2018 American Community Survey 5-year 2-Bedroom Adjusted Standard Quality Gross Rent estimate and margin of error for San Benito County, CA HUD Metro FMR Area.

Area	ACS ₂₀₁₈ 5-Year 2-Bedroom Adjusted Standard Quality Gross Rent	ACS ₂₀₁₈ 5-Year 2-Bedroom Adjusted Standard Quality Gross Rent Margin of Error	Ratio	Sample Size Category	Result
San Benito County, CA HUD Metro FMR Area	\$1,207	\$64	$\frac{\$64}{\$1,207} = 0.053$	5	0.053 < .5 5 ≥ 4 Use ACS ₂₀₁₈ 5-Year San Benito County, CA HUD Metro FMR Area 2-Bedroom Adjusted Standard Quality Gross Rent

Since the ACS₂₀₁₈ Margin of Error Ratio is less than .5, the ACS₂₀₁₈ San Benito County, CA HUD Metro FMR Area value is used for the estimate of 2-Bedroom Adjusted Standard Quality Gross Rent:

Area	FY2021 Base Rent
San Benito County, CA HUD Metro FMR Area	\$1,207

2. A recent mover adjustment factor is applied based on the smallest area of geography which contains San Benito County, CA HUD Metro FMR Area and has an ACS₂₀₁₈ 1-year Adjusted Standard Quality Recent-Mover estimate with a Margin of Error Ratio that is less than .5.

Area	ACS ₂₀₁₈ 1-Year Adjusted Standard Quality Recent-Mover Gross Rent	ACS ₂₀₁₈ 1-Year Adjusted Standard Quality Recent-Mover Gross Rent Margin of Error	Ratio	Sample Size Category	Result
San Benito County, CA HUD Metro FMR Area – 2 Bedroom	N/A	N/A	N/A	N/A	No ACS ₂₀₁₈ 1-Year 2-Bedroom Adjusted Standard Quality Recent-Mover Gross Rent Produced For San Benito County, CA HUD Metro FMR Area
San Benito County, CA HUD Metro FMR Area – All Bedroom	N/A	N/A	N/A	N/A	No ACS ₂₀₁₈ 1-Year All Bedroom Adjusted Standard Quality Recent-Mover Gross Rent Produced For San Benito County, CA HUD Metro FMR Area
San Jose-Sunnyvale-Santa Clara, CA MSA – 2 Bedroom	\$2,478	\$96	0.039	6	0.039 < .5 6 ≥ 4 Use ACS ₂₀₁₈ 1-Year San Jose-Sunnyvale-Santa Clara, CA MSA 2-Bedroom Adjusted Standard Quality Recent-Mover Gross Rent

The smallest area of geography which contains San Benito County, CA HUD Metro FMR Area and has an ACS₂₀₁₈ 1-year Adjusted Standard Quality Recent-Mover estimate with a Margin of Error Ratio that is less than .5 and with a sufficient number of sample cases is San Jose-Sunnyvale-Santa Clara, CA MSA.

- The calculation of the relevant Recent-Mover Adjustment Factor for San Benito County, CA HUD Metro FMR Area is as follows:

ACS₂₀₁₈ 5-Year Area	ACS₂₀₁₈ 5-Year 40th Percentile Adjusted Standard Quality Gross Rent	ACS₂₀₁₈ 1-Year 40th Percentile Adjusted Standard Quality Recent-Mover Gross Rent
San Jose-Sunnyvale-Santa Clara, CA MSA – 2 Bedroom	\$1,948	\$2,478

Area	Ratio	Recent-Mover Adjustment Factor
San Benito County, CA HUD Metro FMR Area	$\frac{\$2,478}{\$1,948} = 1.272$	$1.2721 \geq 1.0$ Use calculated Recent-Mover Adjustment Factor of 1.2721

- The calculation of the relevant CPI Update Factors for San Benito County, CA HUD Metro FMR Area is as follows: HUD updates the 2018 intermediate rent with the ratio of the annual 2019 local or regional CPI to the annual 2018 local or regional CPI to establish rents as of 2019.

	Update Factor	Type
CPI Update Factor	1.0491	Region CPI

- The calculation of the Trend Factor is as follows: HUD forecasts the change in national gross rents from 2019 to 2021 for each CPI area and Census Region. This makes Fair Market Rents "as of" FY2021.

Trend Factor	Trend Factor Type
1.0392	Region

- The FY 2021 2-Bedroom Fair Market Rent for San Benito County, CA HUD Metro FMR Area is calculated as follows:

Area	ACS₂₀₁₈ 5-Year Estimate	Recent-Mover Adjustment Factor	Annual 2018 to 2019 CPI Adjustment	Trending 1.0392 to FY2021	FY 2021 2-Bedroom FMR
San Benito County, CA HUD	\$1,207	1.2721	1.0491	1.0392	$\$1,207 * 1.272 * 1.0491 *$

Metro FMR Area	1.0392=\$1,674
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7. In keeping with HUD policy, the preliminary FY 2021 FMR is checked to ensure that it does not fall below the state minimum.

Area	Preliminary FY2021 2-Bedroom FMR	FY 2021 California State Minimum	Final FY2021 2-Bedroom FMR
San Benito County, CA HUD Metro FMR Area	\$1,674	\$734	\$1,674 ≥ \$734 Use San Benito County, CA HUD Metro FMR Area FMR of \$1,674

8. Bedroom ratios are applied to calculate FMRs for unit sizes other than two bedrooms.

Click on the links in the table to see how the bedroom ratios are calculated.

FY 2021 FMRs By Unit Bedrooms					
	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
FY 2021 FMR	\$1,200	\$1,270	\$1,674	\$2,396	\$2,898

9. The FY2021 FMR must not be below 90% of the FY2020 FMR.

	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
FY2020 FMR	\$1,290	\$1,298	\$1,710	\$2,467	\$3,002
FY2020 floor	\$1,161	\$1,169	\$1,539	\$2,221	\$2,702
FY 2021 FMR	\$1,200	\$1,270	\$1,674	\$2,396	\$2,898
Use FY2020 floor for FY2021?	No	No	No	No	No

Final FY2021 Rents for All Bedroom Sizes for San Benito County, CA HUD Metro FMR Area

The following table shows the Final FY 2021 FMRs by bedroom sizes.

Final FY 2021 FMRs By Unit Bedrooms					
Efficiency	One-	Two-	Three-	Four-	

	Bedroom	Bedroom	Bedroom	Bedroom
Final FY 2021 FMR	\$1,200	\$1,270	\$1,674	\$2,396

The FMRs for unit sizes larger than four bedrooms are calculated by adding 15 percent to the four bedroom FMR, for each extra bedroom. For example, the FMR for a five bedroom unit is 1.15 times the four bedroom FMR, and the FMR for a six bedroom unit is 1.30 times the four bedroom FMR. FMRs for single-room occupancy units are 0.75 times the zero bedroom (efficiency) FMR.

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Other HUD Metro FMR Areas in the Same MSA

Select another Final FY 2021 HUD Metro FMR Area that is a part of the San Jose-Sunnyvale-Santa Clara, CA MSA:

San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area

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