

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ
AGENDA OF THE REGULAR BOARD MEETING
September 24, 2025 at 11:00 a.m.
HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ
2160 41st Avenue, Capitola, CA 95010

1. Roll Call

HOUSING AUTHORITY BOARD OF COMMISSIONERS:

Chairperson Providence Martinez Alaniz	4 year term expires, February 10, 2027
Vice Chairperson Annette Melendrez	4 year term expires, September 29, 2027
Commissioner Carol Berg	4 year term expires, May 21, 2029
Commissioner Ligaya Eligio	2 year term expires, October 18, 2026
Commissioner Silvia Morales	4 year term September 1, 2027
Commissioner Andy Schiffrin	4 year term expires, March 17, 2027
Commissioner Richard Schmale	2 year term expires, May 12, 2027

2. Consideration of Late Additions and Changes to the Agenda

3. Consent Agenda

A. Minutes of the Regular Meeting held August 27, 2025

Motion to Approve

B. Proposed Cancellation of the Regular Meeting of October 22, 2025 and the Scheduling of Special Meetings on November 12, 2025 and December 10, 2025

Motion to Approve Cancellation of the Regular Meeting of Wednesday October 22, 2025 at 11:00 a.m. and the Scheduling of Special Meetings on Wednesday, November 12, 2025 at 11:00 a.m. and Wednesday December 10, 2025 at 11:00 a.m.

C. Temporary Loans from Business Activity Fund

Motion to Authorize Year-End Interfund Loans from 41st Ave Office Fund

D. Write-Offs and Collections for Landlord Overpayment Recovery

Receive Report

E. Procurement Policy Revision

Motion to Approve Draft Revision to Procurement Policy

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. Fiscal Year-End Financials
Receive Report
 - B. Emergency Housing Voucher and Housing Choice Voucher Funding

Receive Report; Motion to Authorize Staff to Draft MTW Supplement Amendment with Cost Saving Waivers, and Initiate Public Comment Period
7. Written Correspondence
8. Director's Report
9. Reports from Board Members
(Board members may report on meetings attended, if any, or other items of interest.)
10. Closed Session
 - A. Real Property Negotiations – 3501, 3507, 3509 & 3513 Portola Drive, Santa Cruz County PN 032-041-68
11. Report on Closed Session
12. Adjournment

The Housing Authority complies with the Americans with Disabilities Act. If you are a person with disabilities and you require special assistance in order to participate, please contact the Board secretary at 831-454-9455, ext. 201 at least 72 hours in advance of the meeting in order to make arrangements. Persons with disabilities may request a copy of the agenda in an alternative format.

Spanish language translation is available on an as needed basis. Please make arrangements 72 hours in advance by contacting the Housing Authority at 831-454-9455, ext. 280.

Agendas can be obtained from the Housing Authority of the County of Santa Cruz Administration Department.

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, MINUTES OF THE ANNUAL MEETING HELD AUGUST 27 , 2025, AT THE HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, 2160 41ST AVENUE, CAPITOLA, CA 95010

AGENDA ITEM NO. 1 Roll Call

Chairperson Martinez Alaniz called the meeting to order 11:00 a.m. Members present Chairperson Martinez Alaniz, Commissioners Berg, Eligio, Morales, Schiffrin and Schmale

Members Absent

Vice-Chairperson Melendrez

Staff Present

Jennifer Panetta, Tom Graham and Courtney Byrd of the Housing Authority

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

Secretary Panetta informed the Board that there is an amendment proposed by staff due to a request from Commissioner Schiffrin related to Agenda Item 3F which is a revision to the Personnel Policies to add a tuition reimbursement program. Commissioner Schiffrin recommended that staff establish a specific budget allocation along with an annual report back to the Board of Commissioners. Therefore, Secretary Panetta would like to amend the staff recommendation to read as follows:

Approve Revision to Personnel Policies to Establish Employee Educational Assistance and Tuition Reimbursement Program with an Allocation not to Exceed \$30,000.00 Annually and Require Annual Reporting to the Board on the Program Utilization.

AGENDA ITEM NO. 3 Consent Agenda

Chairperson Martinez Alaniz asked for a motion to approve the Consent Agenda unless any Board of Commissioners or members of the public would like to pull an item from the agenda or have comments/questions on an item.

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

AYES: Commissioners Berg, Eligio, Martinez Alaniz, Morales, Schiffrin and Schmale

NOES: None

ABSENT: Commissioner Melendrez

ABSTAIN: None

Agenda Item 3A. Approved Minutes of the Regular Meeting of June 25, 2025

Agenda Item 3B. Received Final Report Housing Authority Annual Agency Goals

Agenda Item 3C. Received staff report on FY 24/25 activities and outcomes of the New Horizons

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, MINUTES OF THE ANNUAL MEETING HELD AUGUST 27 , 2025, AT THE HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, 2160 41ST AVENUE, CAPITOLA, CA 95010

Programs and Services; Approved recommended adjustments to FY 25/26 Programs and Services Plan.

Agenda Item 3D. Received Report California Advanced Services (CASF) Broadband Public Housing Grant Award

Agenda Item 3E. Received Report Housing Authority Project Based Voucher Program – FY 2025 Quarter 4 Report

Agenda Item 3F. Approved Revision to the Personnel Policies to Establish Employee Educational Assistance and Tuition Reimbursement Program with an Allocation not to Exceed \$30,000.00 Annually and Require Annual Reporting to the Board on the Program Utilization.

Agenda Item 3G. Approved Staff Recommendation for Changes to the Agency’s Health, Dental, and Vision Insurance Contribution Levels Effective 1/1/2026

AGENDA ITEM NO. 4 Oral Communications

None.

AGENDA ITEM NO. 5A Unfinished Business

None.

AGENDA ITEM NO. 6A Request for Housing Authority Endorsement of the City of Santa Cruz Workforce Housing Affordability Act of 2025

Secretary Panetta presented a request for the Housing Authority’s endorsement of the City of Santa Cruz Workforce Housing Affordability Act of 2025 (Measure C). Secretary Panetta explained that the ballot measure would establish a parcel tax and property transfer tax to fund affordable housing projects in the City of Santa Cruz.

Secretary Panetta noted that as a public agency, the Housing Authority may take positions on local ballot measures if such action is taken during an open and public meeting, with opportunities for other perspectives to be heard, and provided that no public funds are expended to support or oppose the measure.

The Board was informed that a representative from the Measure C campaign was present to speak in support of the request for endorsement. Secretary Panetta further reported that the Santa Cruz County Association of Realtors is opposing the measure and was invited to present at the meeting but declined.

Secretary Panetta directed the Board’s attention to materials included in the meeting packet, which consisted of a letter from the Measure C campaign requesting endorsement, the full text of the Workforce Housing Affordability Act of 2025, the City Attorney’s Impartial Analysis, campaign materials, and arguments in opposition.

Secretary Panetta reminded the Board that the Housing Authority has historically maintained neutrality on local ballot measures, except in limited cases where measures directly impact affordable housing and

align with the agency's mission. Staff recommended endorsement of Measure C, as the measure would create a significant and ongoing source of local funding for affordable housing, and therefore directly aligns with the Housing Authority's mission and goals.

Secretary Panetta then introduced Elaine Johnson, Campaign Manager for Measure C and Executive Director of Housing Santa Cruz County, who was welcomed by Chairperson Martinez Alaniz and the Board.

Campaign Manager Johnson provided the Board with an overview of the development of Measure C, explaining its evolution over the past two years and identifying the key stakeholders who participated in drafting and advancing the measure. She emphasized the extremely high cost of housing in the City of Santa Cruz, noting that many individuals employed within the city are required to commute long distances in order to secure affordable housing. She also highlighted the significant number of unhoused community members in the city. Campaign Manager Johnson explained how the revenue generated by Measure C would be utilized to address these housing challenges. Following her presentation, the Board engaged in discussion. The Board of Commissioners and Secretary Panetta expressed their appreciation to Campaign Manager Johnson for her informative presentation.

Commissioner Schiffrin moved to Approve the Request to Endorse the Santa Cruz Workforce Housing Affordability Act of 2025 (Measure C); Commissioner Berg seconded the motion and it was passed by the following vote:

AYES: Commissioners Berg, Eligio, Martinez Alaniz, Morales, Schiffrin and Schmale
NOES: None
ABSENT: Commissioner Melendrez
ABSTAIN: None

AGENDA ITEM NO. 6B Election of Officers

Secretary Panetta informed the Board that the next item on the agenda was the annual Election of Officers, which occurs each year at the Annual Meeting. Secretary Panetta explained that, in accordance with the most recent Bylaws of the Housing Authority of the County of Santa Cruz, the current Chairperson and Vice-Chairperson have completed the first year of their terms and shall be automatically reappointed for a second year unless either exercises the right to decline reappointment.

The Board, along with Secretary Panetta, expressed appreciation to Chairperson Martinez Alaniz and Vice-Chairperson Melendrez for their continued service.

Development Director Suzi Merriam entered the meeting at 11: 25 a.m.

AGENDA ITEM NO. 6C Financing for the purchase of 3501-3513 Portola Drive

Secretary Panetta introduced Development Director Suzi Merriam who reminded the Board of Commissioners that New Horizons Affordable Housing and Development Inc., entered into an Option Agreement to purchase the property located at 3501-3513 Portola Drive for \$6,730,000. Development Director Merriam informed the Board that staff is recommending that the Board allocate funds in the amount of \$6,730,000 of Moving to Work (MTW) funding for New Horizons in the form of a loan, which may be forgivable, and authorize the Executive Director to enter into all documents necessary to provide a loan including but not limited to a promissory note and deed of trust. Development Director Merriam informed the Board that the adoption of Resolution 2025-08 will be used to document the Board's decision to allocate these funds for the purchase of 3501-3513 Portola Drive. A discussion followed.

Commissioner Schiffrin directed staff to bring this back to the Board for additional discussion before the purchase and sale is executed. Commissioner Berg expressed concern that this request may hold up the purchase. Staff will take the Boards direction and return to the Board prior to execution of the purchase and sale.

Commissioner Schiffrin moved to Adopt Resolution 2025-08 and authorize the Executive Director to provide a loan of \$6,730,000, which may be forgivable, to New Horizons for the purchase of 3501-3513 Portola Drive and enter into all documents necessary to effectuate the loan with additional direction that staff return prior to the signing of the purchase and sale agreement; Commissioner Eligio seconded the motion and it was passed by the following vote:

AYES: Commissioners Eligio, Martinez Alaniz, Morales, Schiffrin and Schmale
NOES: None
ABSENT: Commissioner Melendrez
ABSTAIN: Commissioner Berg

AGENDA ITEM NO. 7 Written Correspondence

None.

AGENDA ITEM NO. 8 Report of Executive Director

Executive Director Panetta provided the Board of Commissioner's with a Federal Appropriations update, including a discussion regarding the likelihood of funding cuts to the Housing Choice Voucher program.

Executive Director Panetta informed the Board that a bipartisan group in Congress has introduced the "ROAD to Housing" bill, a legislative package aimed at addressing the nation's affordable housing challenges. The bill proposes to expand the Moving to Work (MTW) demonstration program to additional

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, MINUTES OF THE ANNUAL MEETING HELD AUGUST 27 , 2025, AT THE HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, 2160 41ST AVENUE, CAPITOLA, CA 95010

public housing agencies nationwide, alongside other housing policy changes. Staff will continue to keep the Board informed as the bill progresses.

Executive Director Panetta updated the Board of Commissioner on AB 282 the Source of Income Discrimination bill, which has been moved to the inactive file due to concerns from the Governor's office related to potential rule changes for prorated mixed eligibility status families.

Executive Director Panetta informed the Board that in July 2025, 98 participants were awarded scholarships and were celebrated in August at an awards ceremony held at Cabrillo College. Among the scholars were 52 first-generation college students, 38 parents (including 34 single parents), and 2 veterans. Executive Director Panetta shared photos of the celebration with the Board.

Executive Director Panetta informed the Board that the National Association of Housing and Redevelopment Officials (NAHRO) Awards of Merit Program provides national recognition to highlight best practices and innovative activities performed by member agencies. Executive Director Panetta informed the Board that the Housing Authority has received three Community Innovation Awards. Final awards will be announced and distributed at the Annual Conference in Phoenix in late September.

Deputy Executive Director Graham updated the Board on the Chanticleer Avenue property.

Deputy Executive Director Graham updated the Board on the Portola Drive property.

Deputy Executive Director Graham updated the Board on the River Street property.

Deputy Executive Director Graham and Executive Director Panetta attempted to play the Natural Bridges Mural Video, but experienced technical difficulties. Staff will bring the video back to the next meeting and/or will email the Board of Commissioners with a link to the video.

AGENDA ITEM NO. 9 Reports from Board Members
None.

The Board of Commissioners meeting was recessed at 12:15 p.m. Chairperson Martinez Alaniz called the meeting back to order at 12:17p.m. Board entered Closed Session at 12:17 p.m.

AGENDA ITEM NO. 10A Closed Session- Executive Director Evaluation and Contract Renewal

AGENDA ITEM NO. 11 Report on Closed Session

Conducted Executive Director Employee Evaluation, Approved Executive Director Contract and

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, MINUTES OF THE ANNUAL MEETING HELD AUGUST 27 , 2025, AT THE HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, 2160 41ST AVENUE, CAPITOLA, CA 95010

Authorized Board Chair to Execute Contract.

AGENDA ITEM NO. 12 Adjournment

The Board of Commissioners meeting was adjourned at 12:35 p.m.

I hereby certify that these minutes were approved by the Housing Authority of the County of Santa Cruz, on the Twenty Fourth Day of September 2025.

Chairperson of the Authority

ATTEST: _____

Secretary of the Authority

AGENDA ITEM SUMMARY

MEETING DATE: September 24, 2025

ITEM NUMBER: 3B

FROM: Executive Director

SUBJECT: Proposed Cancellation of the Regular Meeting of October 22, 2025 and the Scheduling of Special Meetings on November 12, 2025 and December 10, 2025

RECOMMENDATION: Approve Cancellation of the Regular Meeting of Wednesday October 22, 2025 at 11:00 a.m. and the Scheduling of Special Meetings on Wednesday, November 12, 2025 at 11:00 a.m. and Wednesday December 10, 2025 at 11:00 a.m.

BACKGROUND SUMMARY:

The Executive Director will be unavailable on the date of the Regular October 22, 2025 meeting. Therefore, staff propose to cancel the Regular October 22, 2025 meeting.

The Housing Authority bylaws state that the Housing Authority Board of Commissioners does not hold a Regular Meeting in November. Due to the cancellation of the October Regular meeting, staff would like to hold a Special Meeting on Wednesday November 12, 2025 at 11:00 a.m. Additionally, due to the December holidays, staff would like to cancel the Regular Meeting of December 24, 2025 and call a Special Meeting of the Housing Authority Board of Commissioners on Wednesday December 10th 2025 at 11:00 a.m.

RECOMMENDATION: Approve Cancellation of the Regular Meeting of Wednesday October 22, 2025 at 11:00 a.m. and the Scheduling of Special Meetings on Wednesday, November 12, 2025 at 11:00 a.m. and Wednesday December 10, 2025 at 11:00 a.m.

AGENDA ITEM SUMMARY

MEETING DATE: September 24, 2025

ITEM NUMBER: 3C

FROM: Finance Director

SUBJECT: Temporary Loans from Business Activity Fund

RECOMMENDATION: Authorize Year-End Interfund Loans from 41st Ave Office Fund

BACKGROUND SUMMARY:

The Housing Authority manages numerous grants and contracts funded by federal, state, and local agencies. These awards are generally structured on a cost-reimbursement basis, meaning the Authority must first incur and pay expenses before receiving reimbursement from the grant agency. This timing difference is a normal and recurring aspect of grant administration. However, it can temporarily result in negative cash balances within individual grant funds until reimbursements are received.

As a result, there are timing differences which can occur between the payment of expenses and the receipt of the grant or contract revenues, resulting in negative cash balances on the grant fund books. These outstanding accounts receivable balances have since been paid by HUD and the respective jurisdictions following the close of the fiscal year. It is customary to report interfund loans between funds in lieu of negative cash balances in the annual financial statements and year-end reports. Therefore, temporary interfund cash loans need to be made from the Housing Authority 41st Avenue Office Fund as follows:

Fund 681	FSS Coordinator Grant	\$ 12,206.54
Fund 683	Shelter Plus Care Grant	\$ 87,107.40
Fund 702	Brommer Administration	\$ 14,423.19
Fund 852	City of Santa Cruz	\$ 34,957.14
Fund 855	City of Watsonville	\$ 3,925.08
Fund 865	County HOME Grant	<u>\$ 83.58</u>
Fund 771	Loan from 41st Avenue Office Fund	\$ 152,702.93

These temporary interfund loans will be recorded in the general ledger on June 30, 2025 and reversed on July 1, 2025. The interfund loans are subject to change pending any adjustments during the course of the financial audit.

RECOMMENDATION:

Authorize Year-End Interfund Loans from 41st Ave Office Fund.

AGENDA ITEM SUMMARY

MEETING DATE: September 24, 2025

ITEM NUMBER: 3D

FROM: Finance Director

SUBJECT: Write-Offs and Collections for Landlord Overpayment Recovery

RECOMMENDATION: Receive Report

BACKGROUND SUMMARY:

Historically, in the event that a landlord owed money to the Housing Authority as a result of an overpayment, the agency would keep collections internal or write off landlord over payments that could not be collected. In July 2025, the Housing Authority updated our process for recovering overpayments of housing assistance payments to landlords. Under this new process, staff first pursue recovery by subtracting (or offsetting) the amounts owed from any other active HAP contract the landlord has with another program participant. If no offsets are available, a series of notices are issued to the landlord, culminating in referral to a collections agency when balances remain unpaid for more than 12 months. This process provides consistent treatment of overpayments and a clear progression from notification to repayment, internal collections, and, when necessary, external collections agencies are used to recover partial payment instead of writing off the entire amount as previously done.

As of July 31, 2025, staff completed a review of all existing landlord overpayment accounts in accordance with the updated process. Together, these amounts represent approximately \$109,750 in landlord accounts that are in collections. There are thirty-six landlords with overpayments from 2019 through 2023 that have not paid after years of repeated collections attempts, totaling approximately \$67,840 being written off as uncollectible.

In addition, eighteen landlords with more recent overpayments totaling about \$41,910 have been identified for recovery. Of this group, six landlords are being referred to collections for \$17,450 in outstanding balances, while twelve landlords remain in the internal collections process for \$24,460.

Since this is the first application of a new process resulting in landlord accounts being sent to collections, staff are providing this update for the Board's information. Future reporting on collections and write-offs will be included in quarterly financial reports.

RECOMMENDATION: Receive Report

AGENDA ITEM SUMMARY

MEETING DATE: September 24, 2025

ITEM NUMBER: 3E

FROM: Executive Director

SUBJECT: Procurement Policy Revision

RECOMMENDATION: Approve Draft Revision to Procurement Policy

BACKGROUND SUMMARY:

Housing Authority staff have identified the need for minor updates and revisions to our Procurement Policy.

The revisions are limited to section 5.8 Noncompetitive Proposals, specifically emergency procurements. Section 5.8.1.2 provides some examples of potential reasons for an emergency procurement, and although these examples are not intended to be exhaustive, staff are proposing the revised language to further clarify when an emergency procurement can be conducted.

Draft revised language for 5.8.1.2. The revised language is bolded and underlined below for distinction.

An emergency exists that seriously threatens the public health, welfare, or safety, or endangers property, or would otherwise cause serious injury to the Agency **and/or may result in displacement of households**, as may arise by reason of a flood, earthquake, epidemic, riot, equipment failure, **potential imminent loss of affordable units**, or similar event. In such cases, there must be an immediate and serious need for supplies, services, or construction such that the need cannot be met through any of the other procurement methods, and the emergency procurement shall be limited to those supplies, services, or construction necessary simply to meet the emergency

RECOMMENDATION: Approve Draft Revision to Procurement Policy

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ

AGENDA ITEM SUMMARY

MEETING DATE: September 24, 2025

ITEM NUMBER: 6A

FROM: Finance Director

SUBJECT: Fiscal Year-End Financials

RECOMMENDATION: Receive Report

BACKGROUND SUMMARY:

The year-to-date financial reports, as of June 30, 2025, take us through the full fiscal year. The agency closed FY2025 with a year-end surplus of \$1.53 million, which is 188% of the budgeted surplus of \$819,000. While this represents a strong overall result, it is down from the \$2.13 million surplus reported in Q3, reflecting adjustments made in the final quarter. The decline was driven mainly by higher Section 8 costs and accounting adjustments in Business Activities.

The total of all revenue, excluding HAP reimbursements and Operating Transfers, is 108% of total budgeted, while HAP revenues are at 101% of the amount budgeted. Total expenses, excluding HAP and Operating Transfers, are 87% of the amount budgeted. The lower-than-expected non-HAP expenses are largely due to reduced capital expenditures, which ended the year at just 24% of the amount budgeted. The surplus and deficit positions by program group are as follows:

Program Group	Surplus / (Deficit)	Explanation
Section 8 Programs	\$ 804,222	HCV, Mod Rehab, Mainstream; HUD-funded rental assistance.
Federal Housing Programs	\$ 633,071	Former public housing & USDA (e.g., Tierra Alta); rents and reserves cover operations.
Federal Grants	\$ -	FSS & Shelter Plus Care; cost-reimbursement, revenue = expenses.
Local Programs	\$ (36,717)	Locally funded (security deposits, landlord incentives, jurisdictional support); near break-even, small deficits possible.
Business Activities	\$ 134,061	Agency-owned properties (Mission St. Warehouse, 41st Ave offices) & management funds; generate unrestricted income.
Agency-Wide Surplus	\$ 1,534,638	FY 2025 Consolidated financial position across all programs.

By program group, Section 8 finished with a surplus of \$804,222, down \$637,000 from Q3 due to HUD frontloading Administrative Fees in the first three quarters of the fiscal year. Federal Housing Programs improved significantly, ending with a \$633,071 surplus compared to only \$3,700 in Q3, driven by unbudgeted interest income from Casa Pajaro sale proceeds. Local Programs closed the

year with a modest deficit of \$36,717, better than Q3's \$40,000 deficit, with small surpluses in other initiatives partially offsetting shortfalls in City and County-funded programs.

Finally, Business Activities recorded a much smaller surplus by year-end, down nearly \$594,000 from Q3, due to the timing and treatment of the \$21.2 million Casa Pajaro transaction. A highlight of significant changes are provided below:

Program Group	Q3 Mar 31, 2025	Q4 Jun 30, 2025	Change	Notes
Section 8 Programs	\$ 1,441,205	\$ 804,222	▼ (\$636,983)	Surplus declined as a result of HUD frontloading the Administrative Fees in the first three quarters of the fiscal year.
Federal Housing Programs	\$ 3,709	\$ 633,071	▲ + \$629,362	Big improvement from unanticipated interest earnings on Casa Pajaro reserves.
Federal Grants	\$ -	\$ -	No change	Cost-reimbursement, always near zero.
Local Programs	\$ (40,202)	\$ (36,717)	▲ + \$3,485	Slightly improved but still in deficit due to personnel costs exceeding available funds.
Business Activities	\$ 728,241	\$ 134,061	▼ (\$594,180)	Surplus dropped as Casa Pajaro transfer accounting was trued up in Q4.
Total	\$ 2,132,953	\$ 1,534,638	▼ (\$598,315)	Smaller than Q3, largely from Section 8 and Business Activities adjustments.

Local Programs closed FY2025 with a modest deficit of \$36,717, primarily from the City of Santa Cruz at \$15,428 and County (TBRA) at \$23,902. This reflects an improvement from Q3's deficit of about \$40,000, as other local initiatives generated a small surplus that helped narrow the shortfall; Fee structure changes have also been implemented to minimize these losses. While the group did not achieve the balanced budget target, the year-end result shows progress compared to earlier in the year and the overall impact on agency-wide results remains limited.

Local Program	Surplus / (Deficit)	Explanation
City of Santa Cruz	\$ (15,428)	Local program fee structures have increased to manage some personnel costs.
County of Santa Cruz (TBRA)	\$ (23,902)	TBRA funds didn't cover personnel costs.
Other Local Programs (net)	\$ 2,613	Small net surplus across remaining local lines offset part of the deficit.
Total	\$ (36,717)	Reconciles gains and losses to the FY2025 year-end Local Programs.

RECOMMENDATION: Receive Report

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ

Budget Comparison - All Funds

Agency-Wide Summary

Fiscal Year to Date for the Period July 1, 2024 - June 30,2025 (Fourth Quarter)

	2024-2025		
	FY 2024-2025	Annual	Budget
	YTD Actuals	Budget	Utilized
Revenues:			
HAPS / Program	150,324,865	148,357,496	101%
Administrative Fees	11,098,818	10,393,926	107%
Grants / Contracts	867,198	1,021,188	85%
Rental Income	2,009,940	2,062,681	97%
Operating Transfers In	42,400,000	8,773,022	483%
Other Income	788,954	160,954	490%
Total Revenues:	207,489,775	170,769,268	122%
Expenses:			
Housing Assistance Pmts	150,746,555	148,357,496	102%
Salaries	6,109,801	6,082,590	100%
Employee Benefits	2,604,411	2,837,174	92%
Capital Purchases	300,846	1,252,035	24%
Maintenance	411,671	579,938	71%
General Administrative	2,578,349	2,670,616	97%
Tenant Services	803,504	794,037	101%
Operating Transfers Out	42,400,000	7,376,812	575%
Debt Service	0	0	0%
Total Expenses:	205,955,138	169,950,698	121%
Surplus (Deficit):	1,534,638	818,569	

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, 2024 - June 30,2025 (Fourth Quarter)

	2024-2025		
	FY 2024-2025	Annual	Budget
	YTD Actuals	Budget	Utilized
Revenues:			
HAPS / Program	149,223,384	147,179,482	101%
Administrative Fees	9,533,603	9,090,513	105%
Grants / Contracts	-	-	0%
Rental Income	-	-	0%
Operating Transfers In	21,200,000	297,210	0%
Other Income	200,319	37,821	530%
Total Revenues:	180,157,307	156,605,027	115%
Expenses:			
Housing Assistance Pmts	149,645,074	147,179,482	102%
Salaries	4,444,248	4,823,279	92%
Employee Benefits	2,139,726	2,433,492	88%
Capital Purchases	-	-	0%
Maintenance	-	-	0%
General Administrative	1,768,036	1,921,049	92%
Tenant Services	156,000	42,000	371%
Operating Transfers Out	21,200,000	-	0%
Debt Service	-	-	0%
Total Expenses:	179,353,085	156,399,302	115%
Surplus (Deficit):	804,222	205,725	

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, 2024 - June 30,2025 (Fourth Quarter)

	2024-2025		
	FY 2024-2025	Annual	Budget
	YTD Actuals	Budget	Utilized
Revenues:			
HAPS / Program	-	-	0%
Administrative Fees	-	-	0%
Grants / Contracts	-	-	0%
Rental Income	943,125	1,021,829	92%
Operating Transfers In	-	8,475,812	0%
Other Income	515,801	61,000	846%
Total Revenues:	1,458,926	9,558,641	15%
Expenses:			
Housing Assistance Pmts	-	-	0%
Salaries	191,077	267,632	71%
Employee Benefits	49,588	95,855	52%
Capital Purchases	201,602	1,222,535	16%
Maintenance	269,668	414,288	65%
General Administrative	113,920	175,472	65%
Tenant Services	-	-	0%
Operating Transfers Out	-	7,376,812	0%
Debt Service	-	-	0%
Total Expenses:	825,855	9,552,594	9%
Surplus (Deficit):	633,071	6,047	

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ

Budget Comparison - Federal Grants

Includes Family Self Sufficiency and Shelter Plus Care Grants

Fiscal Year to Date for the Period July 1, 2024 - June 30,2025 (Fourth Quarter)

	2024-2025		
	FY 2024-2025	Annual	Budget
	YTD Actuals	Budget	Utilized
Revenues:			
HAPS / Program	1,101,481	1,178,014	94%
Administrative Fees	-	-	0%
Grants / Contracts	206,474	221,648	93%
Rental Income	-	-	0%
Operating Transfers In	-	-	0%
Other Income	-	-	0%
Total Revenues:	1,307,955	1,399,662	93%
Expenses:			
Housing Assistance Pmts	1,101,481	1,178,014	94%
Salaries	147,887	149,196	99%
Employee Benefits	40,953	49,089	83%
Capital Purchases	-	-	0%
Maintenance	-	-	0%
General Administrative	883	1,866	47%
Tenant Services	16,750	21,497	78%
Operating Transfers Out	-	-	0%
Debt Service	-	-	0%
Total Expenses:	1,307,955	1,399,662	93%
Surplus (Deficit):	0	0	

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 New Horizons and Merrill Road

Fiscal Year to Date for the Period July 1, 2024 - June 30,2025 (Fourth Quarter)

	2024-2025		
	FY 2024-2025	Annual	Budget
	YTD Actuals	Budget	Utilized
Revenues:			
HAPS / Program	-	-	0%
Administrative Fees	1,565,215	1,303,413	120%
Grants / Contracts	-	-	0%
Rental Income	1,066,815	1,040,852	102%
Operating Transfers In	21,200,000	-	0%
Other Income	49,215	46,383	106%
Total Revenues:	23,881,245	2,390,648	999%
Expenses:			
Housing Assistance Pmts	-	-	0%
Salaries	1,270,286	791,415	161%
Employee Benefits	358,613	244,212	147%
Capital Purchases	99,244	29,500	336%
Maintenance	142,003	165,650	86%
General Administrative	677,038	554,881	122%
Tenant Services	-	-	0%
Operating Transfers Out	21,200,000	-	0%
Debt Service	-	-	0%
Total Expenses:	23,747,184	1,785,658	1330%
Surplus (Deficit):	134,061	604,990	

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, 2024 - June 30,2025 (Fourth Quarter)

	2024-2025		
	FY 2024-2025	Annual	Budget
	YTD Actuals	Budget	Utilized
Revenues:			
HAPS / Program	-	-	0%
Administrative Fees	-	-	0%
Grants / Contracts	660,724	799,540	83%
Rental Income	-	-	0%
Operating Transfers In	-	-	0%
Other Income	23,618	15,750	150%
Total Revenues:	684,342	815,290	84%
Expenses:			
Housing Assistance Pmts	-	-	0%
Salaries	56,302	51,068	110%
Employee Benefits	15,532	14,526	107%
Capital Purchases	-	-	0%
Maintenance	-	-	0%
General Administrative	18,471	17,349	106%
Tenant Services	630,754	730,540	86%
Operating Transfers Out	-	-	0%
Debt Service	-	-	0%
Total Expenses:	721,059	813,483	89%
Surplus (Deficit):	(36,717)	1,807	

AGENDA ITEM SUMMARY

MEETING DATE: September 24, 2025

ITEM NUMBER: 6B

FROM: Executive Director

SUBJECT: Emergency Housing Voucher and Housing Choice Voucher Funding

RECOMMENDATION: Receive Report; Authorize Staff to Draft MTW Supplement Amendment with Cost Saving Waivers, and Initiate Public Comment Period

BACKGROUND SUMMARY:

The Emergency Housing Voucher (EHV) Program was created under the American Rescue Plan (ARP) Act of 2021 to help individuals and families who are homeless, at risk of homelessness, fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking, or who are recently homeless and for whom rental assistance will prevent homelessness or housing instability. The program is administered by the U.S. Department of Housing and Urban Development (HUD) in partnership with local Public Housing Authorities (PHAs) and Continuums of Care (CoCs). The funding originally appropriated by Congress was anticipated by HUD to last through September 30, 2030, with a requirement to use the funds by September 30, 2035.

The costs of the EHV program have exceeded HUD's original projections, and the amount appropriated in the ARP Act is rapidly depleting. On March 6, 2025, HUD sent a letter to PHAs stating that it will obligate a final allocation for all EHV funds that remain available to HUD under the ARP. The letter goes on to state that after this final allocation, the Department will provide no additional EHV HAP Renewal funding allocations to PHAs, but noted that the amount allocated is anticipated to extend beyond the end of CY 2025. The letter further states "Although this is the final EHV HAP renewal allocation, the ARP Act provides that obligated EHV program funds do not expire until September 30, 2035. PHAs that implement cost-saving measures may continue to utilize EHV HAP program reserves until September 30, 2035. HUD will provide additional information on options for managing EHV's going forward at a later date through PIH Notice."

Based on this guidance, staff developed a plan to:

- Transfer approximately half of EHV households into the HCV Program in 2025, and
- Use the remaining EHV funds to provide rental assistance for the rest of the EHV households through Summer 2028, allowing additional time to gradually transfer families into the HCV program to the extent allowed by our level of funding.

Staff have developed this plan in close collaboration with the County of Santa Cruz Human Services Department Housing for Health Division, after having discussed this plan with technical assistance consultants contracted by HUD, as well as with HUD staff. Staff have also provided ongoing updates regarding this plan to the Board of Commissioners in recent months.

Since this plan was developed, there have been two significant changes, including 1) updated projections regarding 2026 Housing Choice Voucher (HCV) funding that impact the degree to which we can transfer EHV families into the HCV program, and 2) additional guidance regarding EHV funding reserves and renewal funding, that have resulted in financial disincentives for PHAs that implement cost-saving measures in 2025.

- 2026 HCV Funding – In the August Directors Report, staff shared a federal appropriations update with new information regarding projections of potential budget cuts in 2026. Both the House and Senate have released their draft FY 2026 Transportation-HUD (THUD) appropriations bills. The House bill proposes cuts to funding for the voucher program, with a level of funding that would likely result in about a 90% proration nationally (or a 10% cut to rental assistance funding). These cuts would be applicable to the entire HCV program group (including the PBV program, and all special purpose vouchers). The Senate bill provides a slight increase above currently enacted levels. However, given the increased costs of the HCV program, even the Senate bill is expected to result in a proration between 93% - 96%. Based on information from industry analysts, we are currently estimating based on a 96% proration (including any inflation factor), or a 4% cut in rental assistance funding. As a result, despite reducing the size of the HCV program through attrition and taking other cost saving measures, it is likely the HCV program will experience a financial shortfall in 2026, even without transferring any EHV households.
- EHV Funding Reserves and Renewal Funding – HUD has recently informed our PHA that EHV funds will be re-benchmarked in early 2026. This means that if cost-saving measures reduce program size in 2025, HUD would view the remaining funds as “excessive” and reduce our 2026 EHV allocation accordingly.

As a result of the combined impact of the changes described above, our original EHV plan is no longer viable. Staff are actively developing an updated strategy. However, given that EHV funding will be depleted by December 2026, staff plan to begin outreach to EHV families right away. All EHV families will receive a letter that:

- Informs families about the program’s discontinuation,
- Provides over a year’s advance notice of potential disruptions in rental assistance,
- Affirms our commitment to working towards the goal of connecting all households to another affordable housing solution before EHV funding is depleted,
- Outlines steps the Housing Authority is taking to connect EHV families to other affordable housing programs, and
- Strongly encourages EHV families to apply for every opportunity that we offer.

Specifically, the letter outlines the following steps that the Housing Authority is taking.

1. Housing Choice Voucher Waiting List and Prioritization for Vouchers

All EHV households have been added to the Housing Choice Voucher (HCV) waiting list. The Housing Authority has established a waiting list preference for currently assisted households at risk of losing their assistance due to program or funding changes.

2. Prioritization For All Housing Authority Owned and Managed Units

Staff have created a tenant selection preference for Housing Authority owned and managed units. When vacancies occur in Housing Authority owned or managed properties, staff will contact EHV households with information about the vacancy and offer eligible EHV households the opportunity to move into the unit.

3. Prioritization For Non-Housing Authority PBV Housing Units

When there is any available Project Based Voucher (PBV) that EHV households are eligible for, the Housing Authority will send eligible EHV households a letter with information about the opportunity to apply for the PBV housing unit(s).

4. Collaborating with the County of Santa Cruz Housing for Health Division and Affordable Housing Providers

The Housing Authority is working with the County of Santa Cruz Human Services Department, Housing for Health Division, to identify additional housing solutions. We are also contacting affordable housing providers and asking if they will prioritize EHV households for any available affordable housing programs or units in their buildings.

HCV Funding Shortfalls

A funding “shortfall” occurs when a PHA’s Housing Assistance Payment (HAP) expenses for the HCV program exceeds the available budget authority and reserves. In simple terms, the housing authority does not have enough funding to cover the rent subsidies promised to landlords under its voucher contracts. HUD has established a Shortfall Prevention Team (SPT) that monitors PHAs to review projected costs against projected funding, and identify agencies that appear to be heading towards a shortfall. This team is composed of staff from HUD Headquarters, Financial Management, and program offices. Their responsibilities include working directly with the PHA to identify and oversee the implementation of immediate cost-control measures, and to provide technical assistance so the PHA can stabilize its program.

The SPT has the authority to require that PHAs implement their recommended cost saving measures. In exchange, HUD has provided shortfall agencies with additional funding needed to maintain rental assistance to existing program families and prevent termination of assistance. In recent years, as program costs have increased, more PHAs have entered into shortfalls, with HUD staff verbally stating that over 25% of PHAs were in shortfall in 2023, and nearly 40% were in shortfall in 2024, with even more expected to enter shortfall in 2025. While \$200 million dollars have been allocated to shortfall prevention annually in recent years, the need has far exceeded this allocation, with over \$500 million in shortfall funds expended in 2024.

The budget cuts expected in 2026 are likely to push even more PHAs into shortfall, and it is possible that there may not be sufficient shortfall funds available to cover the costs nationally and to prevent any terminations of assistance.

Cost Saving Measures

Given the likelihood of funding cuts (and a funding shortfall) in 2026, the desire to transfer as many EHV households as possible into the HCV program, and the concern that shortfall funding may not be sufficient, staff are currently exploring a number of cost saving measures for the HCV and PBV programs. Most cost saving measures increase the portion of rent that program families pay, in order to reduce the portion of rent paid through the HCV or PBV program. Examples of cost saving measures include:

- Reducing payment standards
- Reducing or eliminating allowances and deductions
- Increasing the minimum tenant portion of rent to a value over 30% of income
- Disallowing transfers to higher cost units

The measures that result in the greatest cost savings require a waiver from HUD. The process of obtaining a waiver from HUD is lengthy, requiring a 45-day public comment period prior to approval by the Board of Commissioners, and submitting the request to HUD. Then, HUD waiver reviews often take months to process. Staff are currently in the process of analyzing data to project the potential cost savings and tenant impacts of various cost saving measures. In order to expedite the waiver process, staff propose to draft an amendment to the MTW supplement that includes multiple potential cost saving measures, and to begin the 45-day public comment period as soon as those materials are drafted, rather than waiting until after the next Board meeting to begin the public comment period. Specifically, in order to complete the public comment period by the December meeting, staff would need to post the materials for public review by October 26, 2025. Then, staff would review the materials and discuss with the Board at the November meeting, and would have time to amend the draft MTW supplement prior to the December meeting, at which time staff would recommend approval of the plan. If staff submit the MTW supplement to HUD in December, we may receive approval in Spring, with enough time to implement the waivers by July 1, 2026, allowing us to receive significant cost savings in 2026 and *potentially* allowing us to absorb more EHV families into the HCV program and/or avoid shortfall in the HCV program.

RECOMMENDATION: Receive Report; Authorize Staff to Draft MTW Supplement Amendment with Cost Saving Waivers, and Initiate Public Comment Period

AGENDA ITEM SUMMARY

MEETING DATE: September 24, 2025

ITEM NUMBER: 8

FROM: Exec. Director; Deputy Exec. Director

SUBJECT: Director's Report – September 24, 2025

RECOMMENDATION: Receive Report

BACKGROUND SUMMARY:

Please call or e-mail me with questions you might have on any of the Agenda Items for the September 24, 2025 meeting. My phone number is (831) 454-5931 and my email address is jennyp@hacosantacruz.org.

Federal Appropriations Update – Congress has returned from August recess. HUD and other federal agencies face a September 30th deadline to finalize FY 26 appropriations. With major differences between House and Senate proposals unresolved, lawmakers are expected to pass a short-term continuing resolution (CR) to allow all government agencies to continue to operate while negotiations continue. The House has recently drafted a CR that would keep the government open through November 21st.

Natural Bridges Mural Video – Housing Authority staff worked with filmmaker Michael Daniel on a short film to document the making of the mural at Natural Bridges Apartments, including information about the significance of the mural for the project and for our Agency. The short film is now complete and has been shared on our social media. Given the technical challenges experienced in attempting to air the video during last month's Board meeting, staff have emailed Commissioners with a link to video. Additionally, the video is available on the Housing Authority website, and can be viewed at the following web address: <https://youtu.be/4YjPSFVabh4>

California Association of Housing Authorities (CAHA) Conference – Earlier this month, staff attended the annual CAHA Executive Director conference. The conference was an opportunity to connect with other housing authority leaders to discuss strategies related to funding cuts, the discontinuation of the Emergency Housing Voucher program, and potential program changes including time limits, work requirements, and changes to the rules regarding mixed eligibility status households. The CAHA Board also shared information about efforts to hire administrative and advocacy support to assist in CAHAs work, as well as strategies for elevating our shared concerns. Finally, the conference also included discussions with California Business, Consumer Services and Housing (BSCH) Secretary Moss and Turner Center for Housing Innovation Executive Director Metcalf.

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ