

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA

TO: BOARD OF COMMISSIONERS

FROM: Joseph Villarreal, Executive Director

DATE: September 13, 2022

SUBJECT: THE AWARD OF PROJECT-BASED VOUCHER ASSISTANCE FOR 226 UNITS
TO SIXTEEN AFFORDABLE HOUSING PROJECTS

SPECIFIC REQUEST(S) OR RECOMMENDATION(S) & BACKGROUND AND JUSTIFICATION

I. RECOMMENDED ACTION:

Consider APPROVING the conditional award of 226 project-based vouchers (PBV) to sixteen separate projects throughout Contra Costa County. The award of these PBVs is conditional upon each project meeting all HUD requirements and receiving all other required financing.

II. FINANCIAL IMPACT:

Funding for project-based vouchers is provided by utilizing a portion of the Housing Authority's (HACCC) tenant-based voucher funding.

III. REASONS FOR RECOMMENDATION/BACKGROUND

To date, HACCC has awarded over \$2.5 billion in assistance to 1,803 PBVs targeted to the production of new affordable housing or the preservation of existing affordable housing. Staff recommends that HACCC award 226 additional PBVs to sixteen projects throughout Contra Costa County. If approved, this will bring HACCC's 40-year PBV funding commitments to nearly \$3 billion for 2,029 units.

A housing authority can utilize up to 20% of its Housing Choice Voucher (HCV) funding to "attach" rent subsidies to specific housing units. These attached subsidies are called PBVs, and they share most of the HCV program's rules and regulations. PBVs are attached to units via a contract with the owner that requires the units be rented to families eligible for the HCV program and via an HACCC wait list. While tenants living in a PBV unit may move with regular voucher assistance, the PBV remains attached to the unit and the owner must select another HCV-eligible tenant for that unit. The advantage of PBVs for owners is that the PBV commitment from a housing authority can be used to leverage financing for the construction, rehabilitation, or preservation of housing for low-income families by providing a greater cash-flow than the property would otherwise generate. This is because most funding available to owners of affordable projects restricts the rent that can be collected from tenants to an affordable amount that is usually far less than a comparable unit would merit on the open market.

However, because the HCV/PBV program pays market rate rents by subsidizing the difference between an affordable rent for the tenant and the market rate rent for a particular unit, the amount of rent an owner can collect from a PBV unit is usually significantly higher than otherwise available to the project. This increased cash flow and leverage is crucial to the success of a given project. The primary advantage of PBVs to a housing authority is that they

help increase or preserve the supply of permanent, affordable housing available to HCV recipients and the community.

HUD requires that housing authorities utilize a competitive process to select developments that will receive PBV assistance. A housing authority can utilize its own competition or may choose projects that were competitively awarded affordable housing funds under a federal, state, or local government program (e.g., CDBG, HOME, competitively awarded Low-Income Housing Tax Credits). If the competitive process of another governmental entity is used, the award of those funds cannot have occurred more than three years prior to the PBV selection date, and the earlier selection proposal must not have involved any consideration that the project would receive PBV assistance.

HACCC released a competitive solicitation for 250 units of new construction PBVs on June 13, 2022. The deadline for responses was June 30th. HACCC received eighteen applications for a total of 375 PBV units. After review, seventeen projects were deemed eligible. One project was disqualified because they had already started construction. HUD regulations state that PBVs cannot be awarded to a new construction project that has begun any stage of the construction/rehab process.

A review of the applications determined that one project, 699 YVR Housing (24 units), was previously awarded federal HOME funding by the County in a competitive process that met HUD's guidelines for non-competitive award of PBVs by HACCC. In response, staff did not take this project through the competitive ranking process. Instead, it was brought to the Board to consider awarding PBVs outside of HACCC's competitive process. The Board approved the award of 24 PBVs to YVR Housing on July 12, 2022.

A list of the projects that applied for funding, the number of units they requested and the number of units that staff propose to award to each project is attached.

IV. CONSEQUENCES OF NEGATIVE ACTION

Should the Board not approve the conditional award of 226 project-based vouchers to these sixteen affordable housing projects, it is likely that every project will be delayed or cancelled because the rental assistance provided by PBVs is critical to their financial viability.