

To: Contra Costa County Housing Authority Board of Commissioners  
 From: Joseph Villarreal, Housing Authority  
 Date: July 19, 2016



Contra  
Costa  
County

Subject: AWARD OF 72 PROJECT-BASED VOUCHERS UNDER THE RENTAL ASSISTANCE DEMONSTRATION PROGRAM AND 88 UNITS UNDER THE TRADITIONAL PBV PROGRAM TO SIX AFFORDABLE

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## **RECOMMENDATIONS**

RATIFY staff's conditional award of 72 project-based vouchers (PBV) under the Rental Assistance Demonstration (RAD) program and 88 units under the traditional PBV program to six different affordable housing developments.

## **BACKGROUND**

A housing authority can utilize up to 20% of its Housing Choice Voucher (HCV) funding to "attach" rent subsidies to specific housing units. The attached subsidy is known as a project-based voucher (PBV). PBVs are a component of the HCV program and share most of the same 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. 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

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Action of Board On: **07/19/2016** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

### **VOTE OF COMMISSIONERS**

AYE: John Gioia, Commissioner  
 Candace Andersen,  
 Commissioner  
 Mary N. Piepho,  
 Commissioner  
 Karen Mitchoff,  
 Commissioner  
 Federal D. Glover,  
 Commissioner  
 Jannel George-Oden,  
 Commissioner

ABSENT: Fay Nathaniel,  
 Commissioner

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: July 19, 2016

Joseph Villarreal, Executive Director

By: June McHuen, Deputy

Contact: 925-957-8028

cc:



## BACKGROUND (CONT'D)

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 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, and the PBV program uses this same basic formula, the amount of rent that an owner can collect from a PBV unit is usually significantly higher than otherwise available to the project. This allows the owner to leverage far more financing than if PBVs were not available and thus can be 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 both the community and to HCV recipients.

HUD requires housing authorities to utilize a competitive process to select developments that will receive PBV or RAD 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 from the PBV selection date and the earlier selection proposal must not have involved any consideration that the project would receive PBV assistance.

There are two methods by which developers can secure PBV assistance. One method is through a competitive solicitation. In September of 2015, HACCC posted a competitive solicitation that advertised the availability of up to 500 units for PBV assistance, conditioned on the acceptance of responders of RAD PBV assistance as part of the award. Twelve developers submitted applications in response to the request for proposals (RFP) and were conditionally approved for 189 RAD PBV and 121 traditional PBV units of assistance. The second method by which PBV assistance can be awarded is through a non-competitive process. As provided for in HACCC's Section 8 Administrative Plan approved by the Board of Commissioners, HACCC can accept proposals for PBV assistance from owners that were selected in another governmental entity's affordable housing competition. In particular, HACCC targets projects awarded funding by the Contra Costa County Department of Conservation and Development in one or more of its competitions for HOME, CDBG, HOPWA or other affordable housing programs. HACCC has taken this approach in order to maximize the success rate of projects funded by both the County and HACCC. One of the six developments that staff propose to fund in this round is El Cerrito Senior which was awarded affordable housing funds by the County during the past three years.

This Board Order seeks to ratify staff's award of 72 RAD PBVs and 88 units of traditional PBVs to six different affordable housing developments. If approved by the Board, HACCC will enter into a housing assistance payment contract (HAP) with the

owner of each development for an initial term of fifteen years and an extension of the initial term of fifteen years. Federal statute permits the initial term to be anywhere from one to fifteen years. HACCC utilizes a fifteen year term to mirror the tax credit compliance term and to provide projects with the maximum financing available. In addition, the Federal statute also permits housing authorities to grant an extension of up to fifteen years to the PBV contract at signing. HACCC utilizes the fifteen year extension in order to further increase the financing available to the project and to ensure long-term affordability of the units. Any contract extensions are subject to the availability of federal funding for the HCV program.

All tenants of PBV units must be screened for eligibility for the HCV program by HACCC and must come from HACCC's PBV site-based wait list for the property. The PBV site-based wait list is open to all families on HACCC's HCV wait list. The property owner will then select tenants for occupancy of a particular unit after conducting additional suitability screening consistent with their tenant screening and eligibility policies for that property. Tenants in PBV units will sign an initial lease with a one year term. After one year, a PBV tenant has the ability to move from the PBV unit by using regular tenant-based HCV assistance subject to availability. If a PBV property does not continuously lease up all of its PBV units or if the property fails to meet HUD's Housing Quality Standards for health and safety, then the PBV units awarded to that property can be rescinded.

Since the RAD PBV units will be replacing the public housing units at the Las Deltas development, all residents living at the Las Deltas development when the final RAD agreements with HUD are signed, will be given priority for any vacant units at the replacement housing sites as well as prioritized on the site-based waiting lists that are to be created as a result of the RAD PBV awards.

To date, HACCC has awarded 473 PBVs in previous funding competitions. Staff recommends that HACCC award an additional 72 RAD PBV units and 88 traditional PBVs to six different developments. A list of the developments proposed to receive PBV assistance is attached.

### FISCAL IMPACT

Approximately \$71,138,541 of funding will be provided to these six developments over a thirty year span. Of this amount, \$24,614,419 will be tied to the RAD PBV units and \$46,524,122 will go to the traditional PBV units. All funding will be provided as part of HACCC's annual budget from the U. S. Department of Housing and Urban Development (HUD).

### CONSEQUENCE OF NEGATIVE ACTION

Should the Board not approve the award of PBV units to one or more of these projects, a sufficient number of replacement units will not be awarded to replace the 214 units being converted to RAD at the Las Deltas public housing development. This could cause HACCC to fall out of compliance with HUD regulations.

#### CLERK'S ADDENDUM

#### ATTACHMENTS

RAD PBV Awards Attachment