

Housing Department  
Berkeley Housing Authority

CONSENT CALENDAR  
July 15, 2003

TO: Honorable Chairperson and  
Members of the Berkeley Housing Authority Board

FROM: Weldon Rucker, Executive Officer

SUBJECT: Request for Additional Project-Based Section 8 Certificates

RECOMMENDATION

Adopt a Resolution approving the issuance for 12 additional affordable units of the Outback Senior Homes Development, Project-Based Section 8 Certificate/Vouchers to Affordable Housing Associates (AHA) and authorizing the Executive Officer to execute all necessary documents to initiate the Project-Based Section 8 Vouchers.

FISCAL IMPACTS OF RECOMMENDATION

The Section 8 certificates/vouchers used for the Project-Based subsidies are currently available through the Berkeley Housing Authority (BHA). Since the rent subsidy goes directly to the project from the Section 8 program, there is no financial responsibility required from the City. The BHA received administrative fees for each unit leased under the Section 8 program, so these allocations will help the BHA increase its leasing rate and increase BHA revenue.

CURRENT SITUATION AND ITS EFFECTS

When AHA first submitted an application, The California Tax Credit Allocation Committee (TCAC) did not approve the Outback Senior Homes project because the application was not awarded full readiness points. The second time the application was submitted, the TCAC application process favored applications that were HOPE VI projects. Construction costs, construction interest, and other project costs increased over time, and AHA decided to pursue financing through the State's Multifamily Housing Program and later received a financing award. Through their underwriting practices, the US Bank and the State of California's Housing Finance Agency will increase the amount of their loans to the development if additional

Project-Based certificate/vouchers can be secured. The increase in the loan amount will help in paying for some of the cost increases in the project. AHA's eligible developer fee has also been lowered from \$750,000 to \$525,000. The developer fee will also serve as a construction contingency in case the construction costs of the development are over budget.

Under federal regulations regarding Section 8 Certificates, a Public Housing Authority has the right to allocate up to 20% (twenty percent) of the Housing Authority's Section 8 Vouchers to project-based assistance. In the instance of the Berkeley Housing Authority (BHA) that represents over 300 Section 8 Vouchers. By converting the vouchers to project rather than tenant-based assistance, the City is able to give a direct subsidy to an affordable housing project and insure both rental assistance to the tenant, as well as guaranteed revenue to the project developer. This allows the City to provide additional assistance to affordable housing projects beyond the loans provided through the Housing Trust Fund. Project-based vouchers can be placed on a project for ten years, and renewed where previously the vouchers were available for one year with annual renewals possible.

#### BACKGROUND

On February 19, 2002, the BHA Board approved 27 Project-Based Section 8 Vouchers to the Outback Senior Homes development to be built at 2517 Sacramento Street. AHA is requesting that 12 additional units receive Project-Based vouchers for the development that will make all 39 senior units as Project-Based units. Twenty-five per cent (25%) of the total units in a building can usually be designated as Project-Based. But if the units are designated for seniors or individuals with special needs, any number of units in the building can be Project-Based. On March 12, 2002, Berkeley City Council approved the replacement of the short-term HELP loan for \$526,000 to a loan from the Housing Trust Fund. Previously, the Housing Trust Fund had had allocated \$874,000 to the Outback project bringing the total City contribution to the project to \$1,400,000.

The Outback Senior Homes, to be constructed at 2517 Sacramento Street, will be a 40-unit (with one unit for an onsite property manager), project for seniors that will include both housing units and commercial/retail space. The 40 apartments will include 15 studios, 21 one-bedrooms, and four two-bedroom. All apartments are designed to be accessible. The common areas of the building are designed to suit the needs of senior residents by providing a sitting area on each floor, a covered front porch, a spacious lobby, a centrally located multi-purpose room, a garden courtyard, and an outdoor roof deck.

The total cost of the development is estimated at \$9,825,085. The 39 affordable, units will have rents set at 17%-60% of the Area Median Income (AMI). All 39 units will have rents affordable to people with incomes below 60% of AMI.

RATIONALE FOR RECOMMENDATION

Under the ten-year Project-Based Section 8 Program, the City is able to make a firm, long-term commitment to assist an affordable housing project and this will make it easier to obtain additional financing to assist with the increase of the costs of development. If the Board approves the Project-Based Section 8 certificates/vouchers on the development discussed above, staff would recommend that the approval be conditioned on the final development approval of the project and verification of all funding sources. The contract for the vouchers becomes activated when the project is completed and ready for occupancy. The recommendation for 12 additional Project-Based certificate/vouchers will be submitted to the Housing Advisory Commission (HAC) for the meeting on July 10, 2003. Staff will have the HAC recommendation for the BHA Board at the meeting on July 15, 2003.


ALTERNATIVE ACTIONS CONSIDERED

The alternative to increase the number of Section 8 Project-Based certificate/vouchers provides the most viable option to the Developer to pay for the cost increases on the project. Additionally, it provides more Section 8 Project-Based units for the City of Berkeley. The alternative for AHA to cover these additional costs is to request more financial assistance from the Housing Trust Fund.

CONTACT PERSON:

Janet Kennedy, Housing Services Manager 981-5430

Approved by:

  
Stephen Barton, Housing Director

Attachment: Exhibit A- Proposed Resolution

RESOLUTION NO.

APPROVING THE ALLOCATION OF 12 ADDITIONAL PROJECT-BASED SECTION 8 CERTIFICATE/VOUCHERS FOR THE OUTBACK SENIOR HOMES (2517 SACRAMENTO STREET) SPONSORED BY AFFORDABLE HOUSING ASSOCIATES, TO THE 27 PROJECT BASED SECTION 8 CERTIFICATE/VOUCHERS PREVIOUSLY APPROVED, FOR A NEW TOTAL OF 39 PROJECT-BASED SECTION 8 CERTIFICATE/VOUCHERS

WHEREAS, on February 19, 2002, the Berkeley Housing Authority authorized the allocation of 27 Section 8 Certificate/Vouchers to Affordable Housing Associates, for the Outback Senior Homes development; and

WHEREAS, On March 12, 2002, the Berkeley City Council approved the replacement of the short-term HELP loan for \$526,000 to a loan from the Housing Trust Funds to the previous Housing Trust Fund allocation of \$874,000 approved by Berkeley City Council for the development; and

WHEREAS, the additional Section 8 Project-Based Certificate/Vouchers provides Affordable Housing Associates with the ability to increase the amount of their loan financing to pay for the developments increased costs.

NOW THEREFORE, BE IT RESOLVED by the Berkeley Housing Authority Board that the Executive Officer is hereby authorized to allocate a total of 39 Project-Based Section 8 Certificates/Vouchers to Affordable Housing Associates for the Outback Senior Homes located at 2517 Sacramento Street.