

Berkeley Housing Authority

Budget Issues and Update



June 15, 2004

**City of Berkeley
Housing Department
Stephen Barton, Director
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HUD BUDGET CHANGES TO SECTION 8 PROGRAM PIH NOTICE 2004-7

- **Issued April 22, 2004.**
- **Changes made retroactive to January 2004 and in effect through December 2004.**

HUD BUDGET CHANGES TO SECTION 8 PROGRAM

- **HUD changes do *not* affect the allocated base number of Section 8 units that HUD has authorized**
- **Establishes a base HAP amount for each unit/month of lease-up.**
- **Allows the use of funds in PHA's Annual Contributions Contract (ACC) reserve account to pay HAP amounts that exceed HUD's base rate per unit/month.**
- **Reduces the amount of the administrative fee earned for each unit/month leased-up**

NO REDUCTION IN BHA HOUSEHOLDS SERVED

HUD changes do *not* affect the baseline number of Section 8 units (1,841) that HUD has authorized to the BHA.

According to HUD (attachment D):

“Any additional leasing after August 30, 2003 will be renewed. HUD will provide renewal funding for all units leased, up to baseline at the August 2003 average per unit costs inflated by each PHA’s annual adjustment factor.”

IMPACT OF HAP CHANGES TO BHA'S SECTION 8 PROGRAM

- **Housing Assistance Payments (HAP) are payments made by a PHA directly to a landlord as rental assistance on behalf of a tenant participant under the Section 8 Program**

IMPACT OF HAP CHANGES TO BHA'S SECTION 8 PROGRAM

- **HUD's allocated HAP base rate for the BHA is \$1,039.51 per unit/month**
- **In effect beginning January 2004 BHA's actual HAP for February/March/April 2004 was \$1,049.29 per unit/month**
- **This is \$9.78 per unit/month in excess of HUD's base rate**

IMPACT OF HAP CHANGES TO BHA'S SECTION 8 PROGRAM

- **Assuming \$10 per unit/month in HAP excess from May through December 2004 and maintaining a lease-up rate of 1,830 units beginning August 2004, the total amount of HAP excess through December will approximate \$196,000.**

MANAGING PROJECTED HAP EXCESSES

BHA's Annual Contributions Contract (ACC) Reserve Account

Definition of ACC Reserve Account – The account established by HUD that holds accumulated funds by which the maximum payment to the PHA under the consolidated ACC exceeds the amount actually approved for payment.

MANAGING PROJECTED HAP EXCESSES

- ***BHA's ACC Reserve Account*** – BHA's reserve balance as of June 30, 2003 is \$5,008,708
- **BHA is allowed to access the equivalent of one month of approved HAP or approximately \$1,800,000 specifically to pay for HAP excesses of \$196,000**

MANAGING PROJECTED HAP EXCESSES

Ways to Reduce Per Unit/Month HAP Expenses:

- 1. Establish tighter protocols for conducting rent reasonableness when determining Section 8 rent amounts**
- 2. Establish tighter protocols to identify unreported tenant income thereby increasing tenant portion of rent and reducing HAP amounts**
- 3. HUD granting HAP base rate increase through the Annual Adjustment Factor (AAF)**

NO REDUCTION IN BHA HOUSEHOLDS SERVED

- **HUD's directive provides the resources necessary for BHA to continue its primary goal: to lease up close to the maximum allocation of 1,841 Section 8 units and maintain this rate throughout the year**
- **We remain concerned about pending federal legislation changes and their impact on our current baseline allocation of 1,841 Section 8 households.**

IMPACT OF ADMIN FEE CHANGES TO BHA'S SECTION 8 PROGRAM

- **Administrative Fees are the amounts earned by a PHA for every unit/month of lease-up**
- **HUD's directive, as it affects the administrative fee, was issued with no advanced warning, and is retroactive to January 2004**
- **Change affects all Housing Authorities nationwide**

IMPACT OF ADMIN FEE CHANGES TO BHA'S SECTION 8 PROGRAM

- **The new admin fee rate is a flat \$64.01 per unit/month of lease up.**
- **This compares to the prior formula of \$77.09 for the first 7,200 unit/months and \$71.96 for subsequent unit/months.**
- **Equates to an approximate 13% reduction in annual earned admin fees.**

IMPACT OF ADMIN FEE CHANGES TO BHA'S SECTION 8 PROGRAM

- **In comparison to the prior formula, and based on actual (FY 2004) and projected (FY 2005) lease-up, the administrative fee revenue is reduced by approximately \$73,000 in FY 2004, and \$212,000 in FY 2005.**

IMPACT OF ADMIN FEE CHANGES TO BHA'S SECTION 8 PROGRAM

- **HUD is revising its formula for computing administrative fee earnings to lessen the amount of reductions contained in the April 2004 directive.**

MANAGING REDUCTION IN ADMIN FEE REVENUE

FY 2003-2004

- **Despite the reduction in administrative fees, the projected year-end Section 8 budget shows a slight surplus of approximately \$31,000.**
- **The reduction in administrative fees is offset by the delayed hiring of two BHA positions that remained vacant for a combined nine months.**

MANAGING REDUCTION IN ADMIN FEE REVENUE

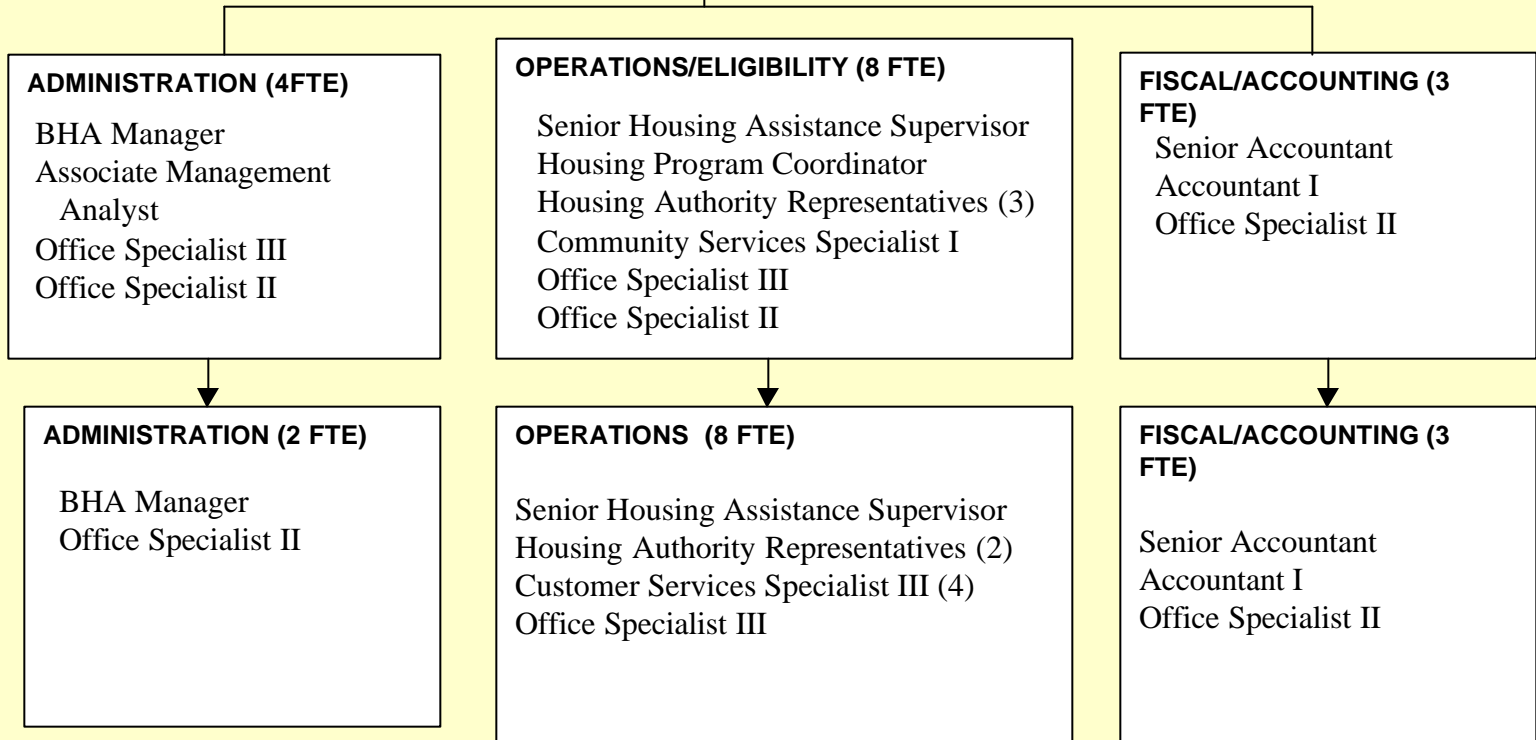
FY 2004-2005

- **Next year budget shows annualized reductions of the administrative fee earnings, approximating \$211,000.**
- **To balance next year's budget and focus resources on essential tasks, we propose to accelerate plans for a staffing re-organization.**

CURRENT AND PROPOSED ORGANIZATIONAL CHART

BERKELEY HOUSING AUTHORITY

CURRENT



REVISED