



Office of the Executive Officer

INFORMATION CALENDAR  
March 21, 2006

To: Honorable Chairperson and  
Members of the Housing Authority

From: *PK* Phil Kamlarz, Executive Officer

Submitted by: Stephen Barton, Housing Director

Subject: Monthly Status Update on BHA

INTRODUCTION

This report provides an update on the ongoing actions that the Berkeley Housing Authority is taking to increase its rating under the Section 8 Management Assessment Program (SEMAP). This report is in response to the December 13, 2005 Berkeley Housing Authority Board directive that the agency commit whatever resources are necessary to eliminate the BHA's troubled status and return with a detailed work plan and monthly progress reports. In addition, this report serves as a status report to the HUD regional office. City and BHA management are meeting monthly with HUD to review progress.

The information presented in this report is a pragmatic representation of the current situation at the Berkeley Housing Authority based on the analysis of the Acting BHA Manager conducted during her first month in the position.

FISCAL IMPACTS OF THIS REPORT

Approximately \$6,000 has been spent to date in recovery efforts. It is estimated that a total of approximately \$80,000 will be spent by June 30, 2006 in staff and contract costs, up from the \$60,000 estimated last month, to be paid out of the previously projected \$100,000 surplus in FY 2006 BHA funds. Estimated costs are: inspections contract, \$20,000; waiting list contract, \$4,000; utility cost analysis contract, \$5,000; security system, \$19,000; temporary staff and overtime, \$32,000.

CURRENT SITUATION AND ITS EFFECT

This report summarizes actions taken, procedures implemented, and actions planned to achieve the minimum SEMAP goal of 60%. This update is based on the activities detailed in the action plan provided to the Board on January 17, 2006. In addition, HUD has issued new, reduced Fair Market Rents (FMRs) for the East Bay and this report describes the difficulties that this change can cause and what staff is doing to mitigate these effects.

- *Automation Upgrade* – The transition to the new software was completed on March 6, 2006. BHA staff are working with the City's IT and Finance departments, as well as the vendor, to resolve the few problems that have come up as part of the data conversion process. Data

clean up, waitlist purging, and other transition functions have to be performed manually and will require at least one additional temporary staff person.

- *Quality Control* – The BHA has implemented a quality control process with the Finance Department that will review a random sample of 25% of the active client files for accuracy of rental calculations and for file completeness. Finance review of the first thirty files has found at least one error in every file reviewed. Finance is also assisting in correction of errors and the findings provide the basis for ongoing training. BHA management is conducting the required HUD Quality Control Inspections for several SEMAP indicators. The normal HUD requirement for a Housing Authority of our size is a sample of 35. The Acting BHA Manager and the Senior Housing Assistance Supervisor have conducted 21 of the 35 required HQS Quality Control Inspections and plan to complete the remaining inspections by the end of the month.
- *New Staff Hires and Overtime Commitments* – A temporary OS II has been hired to assist with basic clerical duties such as filing, telephone and front desk assistance. The temporary Housing Authority Representative (HAR) reported last month continues to assist with file reviews and verification. A temporary Customer Services Specialist III position is in the interview process and is anticipated to begin March 27, 2006. One of the existing HARs has been promoted to Associate Management Analyst to track reports to HUD, as required in the Memorandum of Agreement, establish and maintain a tracking system for deliverables to HUD, process contracts, maintaining the Administrative Plan and the Admissions and Continued Occupancy Policy, monitor the PIC and MTCS reports, and assist the Manager with other administrative functions. The total cost of the additional temporary staff is estimated at \$45,000, which will be offset by the projected surplus for this fiscal year.
- *Improved Security and Internal Communication* – BHA has identified several areas that can be improved upon to address the draft findings.
  1. *Physical Security* – A new security system, similar to the one in the Civic Center Building, will be installed on April 10, 2006. The new system will require a key card to enter the building and will identify and record individual staff entering the building.
  2. *Computer Security* – Staff have changed their passwords to the City’s intranet system. The new housing software requires that each employee have a separate password that will track individual transactions. All of these procedures have been implemented to make the data and transactions as secure as possible. Staff has been informed that they are not to share or provide access to their passwords.
  3. *Procedures* – The Acting Manager holds weekly “All Staff” meetings and uses that time to discuss and reinforce City and BHA procedures. As situations arise, the Acting Manager uses them as teaching opportunities for staff.

*Revision in Fair Market Rents* – HUD has released new FMRs for the Oakland area (Alameda and Contra Costa Counties) that are from 4% to 10% below last year's FMRs depending on the number of bedrooms in the unit. This reduction could have serious consequences for both current BHA-assisted tenants and affordable housing projects currently under way that include project-based Section 8 commitments. The BHA currently sets rents at or close to 110% of the FMR, the maximum level allowed under HUD regulations without special permission from HUD. As a result, even using 110% of FMR in the future, the BHA payment standard will go down, reducing the maximum allowable subsidy to a household. For tenants where the current rent is at or near the maximum, the subsidy will be reduced and they will be faced with the choice of paying the difference or moving to less costly housing. (The exception would be where the landlord is willing to reduce the rent accordingly.) The BHA will analyze its Section 8 data to determine how many tenants this change is likely to affect. We expect it to be several hundred.

In addition, the reduced payment standard will reduce initial rents in project-based Section 8 units, both those already in existence and those under construction. This will create financing gaps in several projects where the developer expected to receive part of their permanent financing based on the previous rent levels. The total gap is expected to be over half a million dollars. Staff is working with the developers to analyze the effects and determine how to compensate. For example, in the case of the Oxford Plaza apartments the reduction creates a gap of as much as \$170,000 but the developer has determined that they can compensate for this by extending the term of their private loan by an additional five years, thus eliminating the gap.

The reduction in FMR is not because HUD finds that rents have gone down in the East Bay. Rather, HUD has now based area FMRs on the 40<sup>th</sup> percentile rent rather than the median (50<sup>th</sup> percentile rent). The use of the higher 50<sup>th</sup> percentile rent was authorized in 2001 as part of a program intended to provide members of racial minorities with greater opportunities to move out of areas of concentration by providing higher rent payments. According to HUD, the East Bay was included based on 1990 Census data and the 2000 Census data shows that the East Bay did not meet the detailed program criteria and should not have been included so HUD is withdrawing the Oakland area from the program.

The City of Berkeley protested the proposed reduction during the comment period and HUD responded as follows:

“Bergen County and Berkeley also argue that they need higher FMRs because they have higher rents than the metropolitan areas of which they are a part. To the extent that this condition can be documented... this need should be addressed by requests for exception payment standards as permitted under voucher program regulations.”

Staff is currently gathering information on area rents and will request the necessary waiver from HUD as soon as it is ready. Staff has also requested clarification from HUD regarding the timeline for responding to the new FMR so that we know how much time we have to pursue such an exception.

- *SEMAP Indicators* – This section provides a detail of the current status of the 14 performance indicators and the actions taken to improve or maintain the current score. It must be stressed that while receiving a passing score under SEMAP will result in moving the BHA out of troubled status, there are still severe internal problems at the BHA that will remain. Moving out of troubled status is essential in order to gain additional time in which to make the necessary system improvements and this will require a sustained effort over the following year, and may require additional City support to the agency.

#### SEMAP Indicator 1: Selection From Waiting List

*Goal:* Achieve a 98% compliance rating in selecting applications from the Section 8 waiting list for admission, in accordance with the Administrative Plan.

*Current Efforts:* Staff is reviewing the files to make sure that proper documentation exists to support the voucher awards, as required by HUD. In addition, staff is working to clean up and purge the waiting list, which will be completed as soon as the software conversion is complete. Only 42 applicants have been selected for Section 8 enrollment in FY06 – 17 from the existing Section 8 waitlist and 25 for Katrina victims, which were given preference over existing Section 8 applicants.

A new site-based waiting list was opened on March 15, 2006 for the Sacramento Senior Housing project, which is managed by Affordable Housing Associates. The BHA has contracted the waiting list process to a firm that has past experience at running public housing and Section 8 waiting lists. The waiting list application period will run from March 15, 2006 through April 7, 2006.

#### SEMAP Indicator 2: Reasonable Rent

*Goal:* Achieve a minimum 80% compliance rate in determining reasonable rents, as demonstrated by a sample of files, based on current rents for comparable unassisted units at the time of initial leasing and before any increase in rent to owner.

*Current Efforts:* The BHA is conducting a quality control file review of to check for complete documentation, correct rent calculation and physical inspection report. One temporary employee is currently conducting the file review. Finance Dept. quality control review found additional errors that the employee had not caught, and additional training is being conducted.

#### SEMAP Indicator 3: Determination of Adjusted Income

*Goal:* Achieve a minimum 80% compliance rate in calculating tenant-adjusted incomes, while conforming to third-party verification, expense and utility allowance regulations and standards, as demonstrated by review of a random sample of at least 35 files on or before June 30, 2006.

*Current Efforts:* The BHA completed an initial review of a sample of files (35 to meet minimum requirements), which resulted in finding approximately 75% accuracy in calculations, 5% short of the 80% target. The Finance Department will be conducting a third-party review of a random sample of 450 (25%) of all Section 8 files to identify errors and areas of weakness and assisting the BHA staff in making

corrections. Once the corrections are complete, the Acting Manager will review another random sample of at least 35 files to determine if the agency can meet the goal that 80% of the 35 sample tenant files have complete and accurately adjusted income.

#### SEMAP Indicator 4: Utility Allowance Schedule

*Goal:* Update the utility allowance schedule by June 30, 2006.

*Current Efforts:* The BHA has contracted the utility analysis to the Nelrod Company and anticipates a completed analysis report no later than March 27, 2006. The new utility allowance rates will become effective on June 30, 2006 to allow time for formal adoption and adequate noticing of the new rates.

#### SEMAP Indicator 5: HQS Quality Control Inspections

*Goal:* Conduct quality control re-inspections on a minimum sample of 35 units that were inspected for HQS by Housing Authority Representatives by June 30, 2006.

*Current Efforts:* The Senior Housing Assistance Supervisor and the Acting BHA Manager have begun the quality control inspections. To date, 21 inspections have been completed and the remaining 14 are scheduled over the next two weeks. Upon completion of the remaining inspections, the BHA will have satisfied the requirements for this indicator.

#### SEMAP Indicator 6: HQS Enforcement

*Goal:* Any cited life-threatening HQS deficiencies are corrected within 24 hours from the inspection and within 30 days for all other deficiencies. In order to receive points for this indicator, a quality control sample of case files with failed HQS inspections (at least 35) must show that 100% of the life-threatening deficiencies were corrected within 24 hours and 98% of all other deficiencies were corrected within 30 days. If deficiencies were not corrected during the applicable time frame, the BHA must show that it stopped housing assistance payments beginning no later than the first of the month following the correction period.

*Current Efforts:* The BHA has begun to address this indicator with vigorous follow-up to failed inspections. Unfortunately, due to lack of follow through during the first half of the year, the BHA cannot meet the requirements and, therefore, cannot claim the point value associated with the indicator.

#### SEMAP Indicator 7: Expanding Housing Opportunities

*Goal:* Adopt and implement a written policy to encourage participation by owners of units outside areas of poverty or minority concentration, prepare maps and informational materials to assist owners and tenants with program participation, and analyze and follow up on difficulties that voucher holders have regarding finding housing in areas outside areas of poverty or minority concentration.

*Current Efforts:* The BHA has a policy in its annual and five-year plans and it authorizes Housing Assistance Payments at up to 110% of the Fair Market Rent

(FMR), which provides tenants with a wider range of rental possibilities. In addition, the City's inclusionary zoning ordinance opens up rentals in newly constructed rental buildings. Housing Department staff has begun compiling mapping data, and related explanatory materials, in order to meet the indicator requirements. The BHA estimates that this goal will be met by the April 2006 BHA Board meeting.

#### SEMAP Indicator 8: Fair Market Rent Limits and Payment Standards

*Goal:* Ensure that 98% of the BHA-adopted payment standards comply with the current Fair Market Rent and HUD-approved exception rent limits and that staff assign rents within the established limits as shown by a random sample of at least 35 files by June 30, 2006.

*Current Efforts:* The BHA Board adopted the new payment standards schedule on December 31, 2005. BHA staff is conducting quality control review of new leases and renewals to verify that rent amounts are in compliance with the adopted payment standards. In addition, the Finance Department will be conducting a third-party review of a random sample of 25% of the files to verify that the calculations are correct and in compliance.

#### SEMAP Indicator 9: Annual Re-Examinations

*Goal:* Conduct 90% of re-examinations within 12 months of previous re-examination date.

*Current Efforts:* The BHA has not met the requirements for this indicator. Approximately 15% (324) of all files are delinquent or in process at this time. At this point in time, files with an effective due date of May 1 are considered to be delinquent if they are not completed in the system. Staff is currently conducting scheduling for delinquent re-examinations, sending out notices of non-compliance to participants, and making every effort to eliminate the backlog.

#### SEMAP Indicator 10: Correct Tenant Rent Calculations

*Goal:* 98% of tenant rent calculations are computed correctly, as reflected in the electronic submissions to HUD.

*Current Efforts:* The BHA utilizes the MTCS online system to identify errors in the tenant rent calculation submissions to HUD. In addition, staff is conducting a quality control review of at least 25% of the files to verify completeness and accuracy of calculations.

#### SEMAP Indicator 11: Pre-Contract HQS Inspection

*Goal:* Ensure that all newly leased units pass HQS inspections on or before the beginning date of the assisted lease and HAP contract as shown by a random sample of at least 35 units taken by June 30, 2006.

*Current Efforts:* The BHA is conducting a quality control review of units leased in FY06 to verify compliance.

SEMAP Indicator 12: Annual HQS Inspections

*Goal:* Complete 90% of annual inspections within 12 months of previous inspection date.

*Current Efforts:* The BHA is currently behind by approximately 400 units. BHA has initiated a contract with an outside vendor to assist with the delinquent inspections backlog. The contractor will carry out 300 inspections per month, so that even with reinspections for failed units they should be able to clear the backlog by June 30, 2006. BHA staff is reconciling the electronic report with tenant files to ensure that the delinquency is not due to an error in transmission. Files that have been confirmed to be delinquent will be given to the contractor to perform the inspections. The new software will improve the BHA's ability to schedule and track inspections.

SEMAP Indicator 13: Lease-Up

*Goal:* Achieve 98% of lease-up or fund utilization for the Section 8 Housing Choice Voucher Program through June 30, 2006.

*Current Efforts:* Finance staff is in the process of reviewing the allocated budget authority to determine if the goal has been met. The BHA fiscal unit staff continues to monitor the lease-up and expenditure of funds to ensure that it does not fall below the minimum 95% requirement. BHA is looking into having the same firm that is handling the creation of the new project-based senior housing waiting list also handle updating the current waiting list. The new software system has placed the wait list into approximate order by date of application, however BHA staff must enter the time for each date. This will be done gradually, covering the earliest days first, so that BHA can begin to issue new vouchers and reach full lease-up.

SEMAP Indicator 14: Family Self-Sufficiency

*Goal:* Increase enrollment of families in the FSS program to 30 or more, with at least 15 of the participating families holding escrow accounts.

*Current Efforts:* The mandatory number of FSS Program slots for the BHA is 49. In order to meet the requirements for this indicator, the BHA must show an enrollment of at least 30 families and 15 families with escrow accounts. To date, the BHA can verify enrollment of 24 families in the program and 6 families with escrow balances. The FSS Coordinator is currently working with potential families to increase both enrollment and the number of families with escrow balances.

Non-SEMAP Indicator: Correction of MTCS/PIC Data Errors and Omissions

*Goal:* Ensure that 100% of 50058 forms are reported to MTCS through PIC with a 5% or less error rate.

*Current Efforts:* One BHA staff person has been assigned to correct errors on all 50058 submissions in order to meet the requirements. The new software system helps with this process because it checks for the same errors that the HUD software checks

and warns when there is data that is not in the correct format. Failure to maintain 100% reporting compliance or an error rate of over 5% could result in the loss of points for indicators 9, 10, 11, 12 and 14.

POSSIBLE FUTURE ACTION

Updates will be presented to the BHA Board each month on the actions taken and the impact on the individual SEMAP indicators as well as overall management of the BHA. The Acting Manager will continue to evaluate the situation at the agency and provide ongoing assessments of the improvements made to the organizational structure, performance and finances of the BHA.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Additional funds may be needed to cover the cost of temporary staff, contracts, training, and other resources needed to achieve a passing SEMAP score for FY06 and beyond. Needs will be assessed on an on-going basis and presented as appropriate.

CONTACT PERSON

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Attachments:

1: SEMAP Indicators Update

**ATTACHMENT 1**

	<b>SEMAP INDICATOR</b>	<b>TARGET</b>	<b>CURRENT % STATUS (2/28/06)</b>	<b>MAX SEMAP POINTS</b>	<b>BHA SEMAP POINT GOAL</b>	<b>CURRENT POINT STATUS</b>
1	Selection from Waiting List	98% Compliance Rate	98%	15	15	15
2	Reasonable Rent (leases-5%-increases)	80% Compliance Rate (98% Compliance Rate=20 points)	98%	20	15	15
3	Adjusted Income	80-89% Compliance Rate	75%	20	15	0
4	Utility Allowance Schedule	Update Allowance Schedule by June 30, 2006	0%	5	5	0
5	HQS Quality Control Inspections	100% of 35 units Inspected	51%	5	5	0
6	HQS Enforcement	100% of life-threatening deficiencies corrected in 24 hours; 98% of all other deficiencies in 30 days	0%	10	0	0
7	Expanding Housing Opportunities	100% Compliance to all requirements	50%	5	5	0
8	FMR Limits and Payment Standards	98% Compliance Rate	100%	5	5	5
9	Annual Re-certifications	90% Compliance Rate	85%	10	0	0
10	Correct Tenant Rent Calculations	98% Compliance Rate	98%	5	5	5
11	Pre-Contract HQS Inspections	98% Compliance Rate	97%	5	5	0
12	Annual HQS Inspections	90% Compliance Rate	68%	10	5	0
13	Lease-Up/Budget Expended	98% Compliance Rate	97%	20	20	15
14	Family Self-Sufficiency Enrollment	60% of Mandatory Enrollment 30% of Families with Escrow Balances	49% 12%	10	0	0
		<b>TOTAL</b>	<b>%</b>	140	100	55
				100%	71%	39%
	Misc: MTCS/IPIC Corrections	100% Completed - 50058 Forms Submitted		N/A	N/A	
		95% Compliance - Error Free		N/A	N/A	