




Office of the Executive Officer

ACTION CALENDAR

June 27, 2006

To: Honorable Chairperson and
Members of the Housing Authority

From:  Phil Kamlarz, Executive Officer

Submitted by: Stephen Barton, Director, Housing

Subject: Authorize Executive Officer to Negotiate With HUD on Alternative Management Structures

RECOMMENDATION

Authorize the Executive Officer to submit the SEMAP report to HUD based on his best judgment of Berkeley's likely score and also authorize the Executive Officer to negotiate alternative management structures with HUD.

FISCAL IMPACTS OF RECOMMENDATION

Approximately \$58,800 has been spent to date in recovery efforts. It is estimated that a total of \$80,000 will be spent by June 30, 2006, in staff and contract costs, to be paid out of the previously projected \$100,000 surplus in FY 2006 BHA funds (Fund 205).

- Inspections contract \$20,000;
- Sacramento Sr. Homes waiting list process \$3,000;
- Section 8 waiting list annual update process \$2,000;
- Utility cost analysis contract, \$5,000;
- Security system, \$19,475;
- Temporary staff and overtime \$30,000.

CURRENT SITUATION AND ITS EFFECTS

Based on the most recent assessment by the Acting Manager, the performance of the BHA on the SEMAP indicators demonstrates that the BHA will be able to submit a report to HUD claiming sufficient points to achieve a "standard performer" rating for FY 2006. Whether the BHA will actually qualify for all of these points will depend on several factors. The BHA's will need to make a major effort in order to submit all of the required data and make final corrections during the time allowed for such corrections in July (See point 15 below). In addition, several of the SEMAP indicators are subject to interpretation, and will depend on the reasonableness of the standard applied during the third-party review that will be commissioned by HUD to verify the BHA self-report.

Concurrently with this process, rather than wait until the final results are known, we propose that the BHA enter into discussions with HUD regarding the future management of the agency. These discussions would include approaches that range from including HUD representatives in

the hiring process for a permanent BHA Manager to the requirements that would be included in an RFP for another organization to take over management.

Berkeley has critical interests in the BHA, however it would be possible to preserve most of these interests under an alternative management structure. These interests include:

1. Preservation of the allocation of 1841 vouchers for use in Berkeley.
 2. Priority in allocation of these vouchers to people who live or work in Berkeley.
 3. Continued use of project-based Section 8 to support new housing development in Berkeley.
 4. Coordination between the Section 8 Voucher program, the Shelter Plus Care program and other programs such as the newly established Mental Health Services Act, that serves homeless people and people with severe disabilities who are at risk of homelessness.
- *Quality Control* – In order to address the pervasive problems plaguing the BHA, management has implemented a quality control process with the Finance Department that reviewed a random sample of 25% of the active client files for accuracy of rental calculations and for file completeness. The results of this review indicate a significant percentage of error or incompleteness. Management and staff are currently working on correcting the deficiencies noted in those files that were reviewed.
 - *Staffing* – Review of files by the Finance Department, and the assessment made by the Acting Managing, points to problems with caseload size. Industry standard demonstrates that a successful caseload for each staff is no more than 350 files. Currently, staff has an average of 410 files each. This high caseload, in addition to the lack of sufficient clerical support, creates an environment for delinquent actions and errors. This is consistent with the findings noted by the quality control reviews. The addition of a .50 FTE Customer Service Specialist III will reduce the caseload to an average of 370 files. The addition of a 1.00 FTE Office Specialist II will reduce the amount of time spent on basic clerical functions by trained housing staff.
 - *Training and Internal Communication* – The Acting Manager holds weekly “All Staff” meetings to discuss changes in practices and areas of concern. In addition, she has identified key areas needing ongoing and targeted training. The staff has recently attended a three-day long Nan McKay training on correct rent calculations.
 - *SEMAP Indicators* – This section provides a detail of the current status of the 14 performance indicators as they will be certified to HUD for the FY06 SEMAP.
 1. 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.

Status: Review of the files indicates that the BHA has met the requirements under this indicator. At least 98% of all applicants selected from the waitlist had documentation in the files to demonstrate that they were selected for admission in compliance with HUD regulations and the Administrative Plan. Only 42 applicants were selected for Section 8 enrollment during FY06 – 17 from the existing Section 8 waitlist and 25 for Hurricane Katrina victims, which were given preference over existing Section 8 applicants based upon a BHA Board action approving such preference.

2. SEMAP Indicator 2: Reasonable Rent

Goal: Achieve a 98% compliance rate in determining reasonable rents based on current rents for comparable unassisted units at the time of initial leasing and before any increase in rent to owner.

Status: The BHA will claim the points for this indicator. In addition, the BHA has entered into a contract with Nan McKay & Associates to perform outreach and maintain a database that will be used to establish comparable rents starting July 1, 2006. An update of the Administrative Plan will be submitted to the Board no later than the July 2006 meeting.

3. SEMAP Indicator 3: Determination of Adjusted Income

Goal: Achieve a minimum 90% compliance rate in calculating tenant-adjusted incomes, while conforming to third-party verification, expense and utility allowance regulations and standards.

Status: The Acting Manager is reviewing a random sample of files to determine if the points for this indicator can be claimed. The review will be completed by the end of the month and the results will be submitted as part of the report at the July Board Meeting. At this time, the BHA is not able to claim these points.

4. SEMAP Indicator 4: Utility Allowance Schedule

Goal: Update the utility allowance schedule and have it adopted by the BHA Board to be effective no later than June 30, 2006.

Status: The Utility Allowance Schedule was adopted on April 18, 2006, and is effective as of June 30, 2006. The BHA has satisfied the requirements for this indicator.

5. 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.

Status: The Senior Housing Assistance Supervisor and the Acting BHA Manager have completed the quality control inspections and have satisfied the requirements for this indicator.

6. 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.

Status: The BHA continues to address this indicator with vigorous follow-up to failed inspections. The outlook is good for FY07 and continued use of a third-party inspection firm will enable the BHA to focus staff time to the case management function. Unfortunately, the BHA cannot claim the points for this indicator for FY06.

7. 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.

Status: The BHA has updated its website to provide more information about its services for both tenants and landlords. In addition, the GoSection8 service will enable tenants to search for available units throughout the Berkeley area, not just in high poverty areas, and provides a means for landlords to advertise their available units at no cost to them. The BHA will be claiming points for this indicator.

Deconcentration Bonus

Goal: Demonstrate that the agency meets or exceeds the requirements for the Deconcentration Bonus, as detailed in 24 CFR 985.3(h)(1)(i), (ii) or (iii).

Status: The BHA meets the requirements for this indicator and will claim the associated points. It will continue to encourage landlords in low poverty areas to participate in the Section 8 program through various outreach methods.

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

Goal: Ensure that 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.

Status: The BHA is in full compliance with this indicator and will claim the associated points. Upon confirmation of the deconcentration bonus, the BHA will request a waiver from HUD to use the 50th percentile rents instead of the 40th percentile rents under the current and future FMRs.

9. SEMAP Indicator 9: Annual Re-Examinations

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

Status: The BHA is not able to meet the requirements for this indicator. All reports from PIC indicate that the BHA has been unable to achieve at least 90% of its annual re-examinations within the twelve-month requirement. The backlog is predominantly due to large caseloads and a significant number of interim re-examinations, which are required anytime a client's income drops. An increase in staffing, as requested in the FY 2007 budget report, should help in addressing this area of concern.

No points will be claimed for FY06.

10. SEMAP Indicator 10: Correct Tenant Rent Calculations

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

Status: The BHA utilizes the MTCS online system to identify errors in the tenant rent calculation submissions to HUD. All reports indicate that the BHA meets the requirements for this indicator and it will claim the associated points.

11. SEMAP Indicator 11: Pre-Contract HQS Inspection

Goal: Ensure that at least 98% of newly leased units pass HQS inspections on or before the beginning date of the assisted lease and HAP contract.

Status: The BHA is in compliance with the requirements to inspect and pass housing units before the beginning date of the lease. The MTCS system indicates that the BHA meets the 98% threshold for this indicator and can claim the associated points.

12. SEMAP Indicator 12: Annual HQS Inspections

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

Status: The BHA is not able to meet the requirements for this indicator. All reports from PIC indicate that the BHA has been unable to achieve at least 90% of its annual HQS inspections within the twelve-month requirement. The backlog is predominantly due to staff's inability to complete a significant and consistent level of inspections on a daily basis. The staff previously assigned to perform this function has the greatest seniority, which means they earn the highest rate of vacation accrual. In order to conduct the required inspections within the 12-month period, the BHA would have to hire at least 2.00 FTE Housing Authority Representative. By continuing to use a third-party inspection firm, the BHA is able to address both the annual re-examination and HQS inspection issues at a considerable savings to the budget.

No points will be claimed for FY06.

13. 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.

Status: The BHA will utilize enough of its Housing Assistance budget to meet the 98% target. All of the points for this indicator will be claimed.

14. SEMAP Indicator 14: Family Self-Sufficiency

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

Status: 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. No points will be claimed for this indicator.

15. 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.

Status: Review of the PIC reports indicates that the BHA has achieved an **81%** reporting rate. Failure to maintain 100% reporting compliance could result in the loss of points for indicators 9, 10, 11, 12 and 14. The final result will not be known until the end of July when all corrections have been submitted. It will be touch-and-go all the way. Staff is doing everything they can to make the corrections and achieve the necessary target.

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. Achieving the “standard performer” status is essential in order to gain additional time in which to make the necessary system improvements and will require a sustained effort over the following year and may require additional City support to the agency.

At this time it is not clear whether the BHA will be able to score well enough to move out of troubled status and HUD’s review will probably not be completed until September.

FUTURE ACTION

A final report on the SEMAP submission will be provided at the July BHA Board meeting.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

The FY 2007 budget report includes a request of \$150,000 from the City’s General Fund to address the administrative needs for the upcoming year.

CONTACT PERSON

Beverli A. Marshall, Acting BHA Manager, (510) 981-5471

Attachments:

- 1: Resolution
- 2: SEMAP Indicators Update

RESOLUTION NO. ##,###-N.S.

AUTHORIZE THE EXECUTIVE OFFICER TO SUBMIT THE SEMAP REPORT TO HUD
AND NEGOTIATE ALTERNATIVE MANAGEMENT STRUCTURES

WHEREAS, Berkeley has critical interests in the BHA, and these interests include:

1. Preservation of the allocation of 1841 vouchers for use in Berkeley.
2. Priority in allocation of these vouchers to people who live or work in Berkeley.
3. Continued use of project-based Section 8 to support new housing development in Berkeley.
4. Coordination between the Section 8 Voucher program, the Shelter Plus Care program and other programs such as the newly established Mental Health Services Act, that serves homeless people and people with severe disabilities who are at risk of homelessness.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley Authorize the Executive Officer to submit the SEMAP report to HUD based on his best judgment of Berkeley's likely score and also authorize the Executive Officer to negotiate alternative management structures with HUD.

ATTACHMENT 2

	SEMAP INDICATOR	TARGET	CURRENT % STATUS (6/20/06)	MAX SEMAP POINTS	BHA SEMAP POINT GOAL	POINT STATUS as of 12/31/05	CURRENT POINT STATUS (6/20/06)
1	Selection from Waiting List	98% Compliance Rate	98%	15	15	15	15
2	Reasonable Rent	98% Compliance Rate	98%	20	20	15	20
3	Adjusted Income	80-89% Compliance Rate	75%	20	15	0	0
4	Utility Allowance Schedule	Update Allowance Schedule by June 30, 2006	100%	5	5	0	5
5	HQS Quality Control Inspections	100% of 35 units Inspected	100%	5	5	0	5
6	HQS Enforcement	100% of life-threatening deficiencies corrected in 24 hours; 98% of all other deficiencies in 30 days	0%	10	0	0	0
7	Expanding Housing Opportunities	100% Compliance to all requirements	100%	5	5	0	5
	Deconcentration Bonus		100%	-	5	0	5
8	FMR Limits and Payment Standards	98% Compliance Rate	100%	5	5	5	5
9	Annual Re-certifications	90-95% Compliance Rate	85%	10	0	0	0
10	Correct Tenant Rent Calculations	98% Compliance Rate	98%	5	5	5	5
11	Pre-Contract HQS Inspections	98% Compliance Rate	98%	5	5	0	5
12	Annual HQS Inspections	90% Compliance Rate	65%	10	0	0	0
13	Lease-Up/Budget Expended	98% Compliance Rate	98%	20	20	15	20
14	Family Self-Sufficiency Enrollment	60% of Mandatory Enrollment 30% of Families with Escrow Balances	49% 12%	10	0	3	0
			TOTAL		145	105	58
			%		100%	75%	41%
	Misc: MTCS/PIC Corrections	100% Completed - 50058 Forms Submitted		N/A	N/A		84%
		95% Compliance - Error Free		N/A	N/A		81%