




Office of the Executive Officer

CONSENT CALENDAR

July 25, 2006

To: Honorable Chairperson and  
Members of the Housing Authority

From:  Phil Kamlarz, Executive Officer

Submitted by: Stephen Barton, Director of Housing

Subject: Ten-Year Renewal Agreement for Allston House Housing Assistance Payment (HAP) Contract

RECOMMENDATION

Adopt a Resolution approving two five-year extensions of the initial ten-year term of the Housing Assistance Payment (HAP) Contract for Allston House, for up to an aggregate period of twenty years, and authorizing the Executive Officer, or his designee, to enter into a HAP Contract Renewal Agreement that would provide for the extension of the initial ten-year term. Allston House is an acquisition and rehabilitation project consisting of 47 affordable apartments sponsored by Affordable Housing Associates (AHA). The Berkeley Housing Authority (BHA) allocated 12 Project-Based Section 8 vouchers to the project in February 2005.

FISCAL IMPACTS OF RECOMMENDATION

Following approval by the U.S. Department of Housing and Urban Development, the Berkeley Housing Authority (BHA) will enter into an agreement with the property owner to commit the vouchers upon completion of the renovation. Upon completion, the BHA will enter into a ten-year agreement for Housing Assistance Payments. With the initial ten-year commitment of 12 Project- Based Section 8 vouchers, Affordable Housing Associates (AHA) was able to secure \$684,663 in project financing from US Bank. With approval of the two (2) five-year extensions to the initial contract term, AHA will be able to raise an additional \$350,000.

CURRENT SITUATION AND ITS EFFECTS

On February 15, 2005, the Berkeley Housing Authority approved the allocation of 104 Project-Based Section 8 Vouchers, including 12 vouchers for Allston House at 2121 7<sup>th</sup> Street, a 47-unit acquisition and rehabilitation project. In October 2004, Affordable Housing Associates, the project sponsor, entered into a master lease agreement with an option to purchase the property at 2121 7<sup>th</sup> Street. Since that time, AHA has been in the process of securing the financing to complete the acquisition and rehabilitation of the apartment building. AHA has been successful in securing funds from the State's Multifamily Housing Program, State Low-Income Housing Tax Credits, an allocation of multifamily housing tax-exempt bond financing, and a commitment of permanent and construction financing from US Bank. The BHA's allocation of 12 project-based vouchers enabled AHA to raise \$684,663 for the project.

The total cost of acquiring and rehabilitating the apartments is \$9.3 million. Approximately \$4 million covers the cost of construction of the improvements. The work scope for the renovation includes structural and life safety improvements; electrical and mechanical upgrades; renovation of existing residential units into accessible units; and general unit renovations as needed including new painting, carpet and blinds. AHA will also renovate the common areas and convert one of the existing units into a new community room to provide space for community activities, social services and office space for property management staff. Exterior maintenance and upgrades are also planned.

After completion of the rehabilitation work, the BHA will enter into a Housing Assistance Payment (HAP) contract with the Affordable Housing Associates for an initial term of up to ten years for each contract unit. Affordable Housing Associates has submitted a request to extend the initial ten-year term by another ten years, for up to a 20-year period. This will enable AHA to leverage approximately \$350,000 more in private financing. AHA needs this additional funding, especially since AHA did not receive the \$225,000 they requested from the Federal Home Loan Bank's Affordable Housing Program.

#### BACKGROUND

HUD's Section 8 Project-Based Voucher Program allows the Berkeley Housing Authority (BHA) to use Housing Choice Voucher assistance for existing, rehabilitated, or newly constructed units for a term of up to ten years. The additional revenue from the Section 8 Fair Market Rents often enable property owners to leverage the rental income subsidy with additional loans to either build or make improvements to the property thereby lowering the amount of additional financing that might be needed from the City. For example, with the initial ten-year commitment, Affordable Housing Associates was able to secure \$684,663 in project financing from US Bank.

Upon completion of the renovation, the BHA will enter into a ten-year agreement with the owner for Housing Assistance Payments (the "HAP Contract"). The Section 8 Voucher program also allows the public housing agency (PHA) to extend the term of the housing assistance payment contract for such period as the agency determines to be appropriate to achieve long-term affordability of the housing. Under 24 CFR 983.205, "the PHA may agree to extend the term of the HAP contract for an additional term of up to five years if the PHA determines an extension is appropriate to continue providing affordable housing for low-income families. Subsequent extensions are subject to the same limitations." The program also provides that "such a contract shall provide that the extension of such term shall be contingent upon the future availability of appropriated funds for the purpose of renewing expiring contracts", meaning provided that HUD does not eliminate the funding for the Project-Based Section 8 program, the PHA may enter into a contract that extends the initial ten-year term. Should funding not be available, the PHA may terminate the contract. The terms and conditions for extending the HAP contract will be provided for in a HAP Contract Renewal Agreement.

RATIONALE FOR RECOMMENDATION

Affordable Housing Associates (AHA) is requesting two five-year renewals of the Housing Assistance Payments (HAP) Contract. This will allow AHA to leverage additional private funding they need to complete the rehabilitation work on Allston House. The ten-year extension will enable AHA to raise an additional \$350,000 they need to cover a funding gap resulting from AHA's not receiving a Federal Home Loan Bank Affordable Housing Program award. AHA received a commitment for the additional \$350,000 loan from US Bank contingent upon receiving approval from BHA to enter into a ten-year renewal agreement that would provide for the two (2) five-year extensions to the HAP Contract.

ALTERNATIVE ACTIONS CONSIDERED

By approving the two five-year extensions to the HAP Contract, the BHA will help AHA secure the additional funding they need to complete the rehabilitation work planned for Allston House. If AHA is unable to secure additional funds, AHA will need to reduce the scope of the rehabilitation work.

CONTACT PERSON

Lourdes Chang, Community Development Project Coordinator, Housing, (510) 981-5419

Attachments:

1: Resolution

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

APPROVING EXTENSION OF THE HOUSING ASSISTANCE PAYMENT (HAP)  
CONTRACT FOR ALLSTON HOUSE AND AUTHORIZING THE EXECUTIVE OFFICER,  
OR HIS DESIGNEE, TO EXECUTE A HAP CONTRACT RENEWAL AGREEMENT

WHEREAS, on February 15, 2005, the Housing Authority Board approved 104 Project-Based Section 8 Vouchers for six properties, including 12 vouchers for Allston House – 2121 7<sup>th</sup> Street (Resolution No. 708); and

WHEREAS, upon receiving approval from the U.S. Department of Housing and Urban Development, the Berkeley Housing Authority (BHA) will enter into a HAP contract with Affordable Housing Associates, the project sponsor, which will have an initial contract term of ten (10) years (the “HAP Contract”); and

WHEREAS, under 24 CFR 983.205 (b), *Extension of Term*, allows the public housing authority (PHA) to extend the term of the HAP Contract for an additional term of up to five years if the PHA determines an extension is appropriate to continue providing affordable housing for low-income families, and subsequent extensions are allowed and subject to the same limitations; and

WHEREAS, the Affordable Housing Associates as the Project Sponsor, requested that the BHA approve two (2) five-year extensions of the HAP Contract in order to enable AHA to leverage additional funding to complete the rehabilitation work planned for Allston House; and

WHEREAS, Affordable Housing Associates has requested that the BHA and AHA enter into a HAP Contract Renewal Agreement that would provide for the terms and conditions of the two (2) five-year extensions to the HAP Contract.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley approve two (2) five-year extensions of the initial ten-year term of the Housing Assistance Payment (HAP) Contract for Allston House, for up to an aggregate period of 20years, and authorize the Executive Officer, or his designee, to enter into a HAP Contract Renewal Agreement that would provide for the extension of the initial ten-year term.