



Office of the City Manager

**MEETING OF THE
3X3 COMMITTEE OF THE
BERKELEY CITY COUNCIL AND THE BERKELEY HOUSING AUTHORITY
Multi-Purpose Room, North Berkeley Senior Center
1901 Hearst Avenue, Berkeley
Tuesday, March 2, 2010
6:00 p.m. to 8:30 p.m**

Berkeley City Council:
Mayor Tom Bates
Councilmember Darryl Moore
Councilmember Jesse Arreguin

Berkeley Housing Authority Commission:
Commission Chair Carole Norris
Commissioner Marjorie Cox
Commissioner Adolph Moody

This meeting will be conducted in accordance with the Brown Act, Government Code Section 54653. Any member of the public may attend this meeting. Questions regarding this matter may be addressed to Christine Daniel, Deputy City Manager, at 981-7000.

AGENDA

1. Call to Order
2. Public Comment
3. Approval of Minutes: October 22, 2008; April 22, 2009; November 23, 2009
4. Report from the BHA Executive Director: Section 8 SEMAP Certification
5. Report from BHA Executive Director/Consultants:
 - a. Disposition Application
 - b. Planning/Advisory Committee
 - c. Rehousing/Relocation Plan
6. Adjourn

NOTES: Attendees at public meetings are reminded that other attendees may be sensitive to various odors, whether natural or manufactured, in products and materials. Please help respect these needs.

**3X3 Committee Meeting of the City Council and the Berkeley Housing Authority
Commission
Wednesday, October 22, 2008; 5:30 p.m.
South Berkeley Branch Library
1901 Russell Street, Berkeley**

Meeting Minutes

1. **Call to order** 5:50 p.m. Present: Mayor Bates, Councilmember Moore, BHA Chair Norris, BHA Commissioner Moody
2. **Public Comment:** One member of the public commented regarding her informal settlement conference
3. **HUD Status Update:** BHA Executive Director Tia Ingram stated that overall the news is good. She indicated that HUD's Regional Director is very supportive and that BHA has been providing monthly reports to HUD. In early September HUD conducted an on-site monitoring review and accepted and closed several issues in the Memorandum of Agreement between BHA and HUD. The Section 8 Corrective Action Plan on-site monitoring review was held at the end of September; the monitor was impressed by with the progress made by staff, but there were deficiencies noted with reporting systems, but those are anticipated to be corrected. BHA expects an official response from HUD by the end of October. BHA received approval for a technical assistance grant to help with staff training and workflow analysis. HUD is concerned about capacity issues related to the BHA's staffing levels and the impact that has on customer service abilities. The Executive Director noted that families are finding some of the recent policy changes and enforcement of program rules and regulations difficult to accept but she believes that will eventually resolve itself.

The Mayor requested that the City Council receive periodic information reports about significant outcomes/events of the BHA. Chair Norris noted that BHA is just now fully staffed and offered to provide reports. The Mayor suggested that reports be distributed to the Council through the City Manager's Office.

4. **Strategies for long-term preservation of low income public housing units:** The BHA Executive Director described a report that went to the BHA Commission on Monday October 20, 2008 regarding this topic. She indicated that federal funding for the low income public housing program continues at deficit levels, that the BHA's public housing has been troubled for some time and that it is very difficult for BHA staff to administer the scattered site low income public housing (LIPH) units given staffing and fiscal constraints. She stated that BHA needs to focus on being successful in its core mission and in that light she asked the Commission to consider the following options for the LIPH: (1) continue business as usual by operating with deficit funding from HUD (this means that HUD does not fully fund the costs of operating the units); (2) project-basing the units by replacing the income from HUD with fair market value revenue by using project based section 8 certificates; (3)

disposition of the units, while ensuring that every resident is assured of rental housing at no more than 30% of income, and that there is no loss of hard affordable units as a result (acknowledging that the 61 LIPH units are scattered site and do not have sufficient room for community centers or units for residential managers which could result in one or two units being deprogrammed for those uses). Additionally, staff will explore opportunity for families that are currently paying flat rate rent (30% of income is greater than \$1,500/month) to participate in the Section 8 home ownership program that would give them to the opportunity to purchase a home in the private market.

The Executive Director noted that with respect to the second option, project-basing the units, there is a limitation that only 25% of the units can use this. That would be 15 units. However, BHA will ask HUD to consider a waiver or amendment to allow for 100% project basing.

City Manager Phil Kamlarz noted that the City has a HUD Section 108 loan to BHA of \$1.4 million secured by the LIPH properties and that \$120,000 per year of CDBG funds are used to pay debt service on that loan. Additionally the BHA owes a remainder of \$330,000 on that loan. He suggested that any options for the LIPH units should take this into account.

Councilmember Moore explained that the Oakland Housing Authority is going through a similar process with its LIPH units and suggested that BHA contact them for information. He also suggested that an extensive public outreach and education process will be critical to the success of this effort.

Mayor Bates asked if the disposition alternatives being considered also included the 14 State funded units. The Executive Director indicated that further study is required for those units.

5. **Administration and communication issues between BHA and the City of Berkeley:** Chair Norris expressed her gratitude to City staff for their assistance on various issues particularly Dave Hodgkins, Hallie Llamas, Jane Micallef and Information Technology staff. The Mayor asked how much more financial assistance BHA is anticipating needing from the City. Chair Norris indicated that the current subsidy is supporting BHA staff and that additional subsidy would be needed. City Manager Kamlarz indicated that the City is interested in BHA getting out of troubled status and that the 2 year subsidy was intended to support that outcome. He also confirmed that the City is not charging BHA for all of the in-kind services that are being provided. Councilmember Moore asked if it is the BHA's goal to be totally independent. Chair Norris indicated possibly, but not within 2 years. If they dispose of the LIPH units then they would be in the Section 8 business only, but it may or may not make sense to be totally independent; that will require more study. The Mayor asked if they are a Section 8 only agency, would BHA be self-sufficient. BHA Financial Services Manager Charlie Francis responded that the City's in-kind

support is extensive. The Mayor asked if BHA would continue to need a financial subsidy if BHA was Section 8 only and Mr. Francis responded no. City Manager Kamlarz suggested that a more extensive discussion of this issue be scheduled for a subsequent meeting.

6. **Establishment of meeting schedule for 3X3 Committee:** The Committee agreed that they would meet at least twice before the end of the current fiscal year (possibly February and June), but asked staff to work together to finalize dates.
7. **Adjourn:** Meeting adjourned 6:50 p.m.

**3X3 Committee Meeting of the City Council and the Berkeley Housing Authority
Commission**

Wednesday, April 22, 2009; 5:30 p.m.

**North Berkeley Senior Center
1901 Hearst Avenue, Berkeley**

Meeting Minutes

1. **Call to order** 5:50 p.m. Present: Mayor Bates, Councilmember Moore, Councilmember Arreguin, Board Chair Norris, Board Member Moody, Board Member Allen
2. **Public Comment:** There were 15 speakers who addressed the Committee on a variety of topics relating to the Berkeley Housing Authority
3. **HUD Status updates re: BHA:** Presentation by BHA Executive Director Tia Ingram and Board Chair Norris. Ms. Ingram noted that since 2007 BHA has been subject to an MOA with HUD for the Low Income Public Housing (LIPH) units, and a corrective action plan for section 8. Both of these expire in June and require plans to certify as a Standard Performer. BHA representatives met with the HUD Regional Director in March. He acknowledged their accomplishments and noted that when they certify to Standard Performer they will be relieved of additional reporting obligations. If they cannot certify to Standard Performer for the LIPH they will need to work on another plan. Staff expects that the Section 8 program will be able to certify to Standard Performer and will retain that certification after a HUD confirmatory review. The LIPH side has real challenges and BHA has engaged a team of consultants to assist.
4. **Strategies for long term preservation of low income public housing units:** Ms Ingram presented information. Some units have been vacant since the beginning of the fiscal year. The cost to rehabilitate 3 units is \$156,000. BHA has also received bids of \$575,000 for roofing work. An architect developed a list of all deficiencies; the cost to fix is \$6.2 million. HUD funding is not sufficient to pay these costs. The HUD regional director has said that they should be studying options. Other Housing Authorities around the country are getting out of HUD contracts. Staff has indicated it is not likely that the LIHP will be certified to Standard Performer and so need to develop a Plan B. Councilmember Arreguin asked if BHA has applied for stimulus funding. Board Chair Norris indicated that they are looking to hire a consultant to assist with that. Councilmember Moore noted that the Oakland Housing Authority (OHA) has approved its disposition plan and is letting a non-profit run the properties, along with moving to Project Based Section 8. He indicated that BHA should look at disposition and noted that OHA is receiving \$10.5 million in capital funds. Councilmember Arreguin asked what would happen if BHA turned over management to a non-profit; how would that affect tenants? Ms. Ingram explained that Project Based Section 8 would allow tenants to stay in the unit or receive a voucher and move. The Mayor indicated that the City will work with BHA to use money for weatherization of 75 units of LIPH. The City Manager has indicated the City's willingness to pay for a consultant to help the BHA apply for a grant to do the necessary capital work on the units. The Mayor asked how long it takes for

HUD to grant approval of the disposition. Ms. Ingram said it is one month, but that the bigger challenge is to do the rehabilitation work and the real estate transfer. She estimated that would take 1 ½ to 2 years to complete. The Mayor asked if the BHA could just do a transfer now and have a non-profit apply for funds to do the rehabilitation. Ms. Ingram responded that a non-profit would not have access to funds available to a public housing authority. Councilmember Arreguin asked about the current lease-up. Ms. Ingram responded that it is 1675 out of 1847 vouchers available. She also indicated BHA has applied to HUD for approval up to 120% of median rent. Councilmember Arreguin noted that there could be a problem with turning the units over to a non-profit if the tenants get vouchers but then cannot afford to pay the rent. Board Chair Norris noted that they will project base as many vouchers as they can. Ms. Ingram stated that there were 12 to 13 families that are “over-housed” in terms of unit size. Councilmember Arreguin stated that the Rent Stabilization Ordinance provides protection against rent increases.

5. **Discussion of BHA Budget and impacts of City budget:** Ms. Ingram indicated there is a \$600,000 gap in meeting current obligations. The Mayor asked if someone takes over the LIPH will the Section 8 program require an ongoing subsidy? Board Member Allen stated that he was not sure what the impact will be but that the budget is extremely tight. The immediate needs are to get through next fiscal year; there is not enough funding to keep operating the way they are now. He did not see even funding the \$600,000 gap as a long term solution and that the City and the BHA need to reassess the future. The Mayor said that BHA needs to move the LIPH to a non-profit as soon as possible and needs to maintain the Section 8 program for Berkeley. He noted that he has the utmost confidence in what’s happening at BHA with the leadership of the Board. Councilmember Arreguin noted that the BHA has made progress; he is concerned that it won’t have resources to continue to provide services and personally wants to fund more than \$300,000. He felt that funding should be under the condition that BHA is going to come up with a plan for long term self-sufficiency since the City cannot afford to support them in the long term. The Mayor stated that we are not going to cut this agency; we are all in this boat together.
6. **Adjourn:** Time not noted.

**3X3 Committee Meeting of the City Council and the Berkeley Housing Authority
Commission**

Wednesday, November 23, 2009; 5:00 p.m.

Central Library Meeting Room

2090 Kittredge Street, 3rd Floor, Berkeley

Meeting Minutes

1. **Call to order** 5:05 p.m. Present: Mayor Bates, Councilmember Moore, Board Chair Norris, Commissioner Moody
2. **Public Comment:** There were no speakers.
3. **Report from BHA Executive Director; BHA activities and status with HUD:**

Ms. Tia Ingram informed the Committee that BHA had certified under SEMAP to a score of 77 this year (Standard Performer is 60). The HUD review team came out the previous week for a confirmatory review, checked all documentation and it was very good. They did not complete their close out review because they needed their Team Leader to complete it but indicated they would certify by December 31st. They found one issue related to how to select a random sample; samples were pulled incorrectly but the BHA still came out as a Standard Performer.
4. **Report from BHA consultants on status of reposition application with HUD:** Scott Jepson and Eric Novak reported that last spring the BHA completed its capital needs assessment and concluded that the LIPH units needed more work than BHA could afford, \$4.5 million. Shortly after that BHA issued an RFP for consultants to assist with a process to decide how to maintain the housing as affordable for the long term. They concluded that the BHA should focus on the Housing Choice Voucher program, noting that the burden placed on BHA to run the LIPH program is considerable. There are major differences between what BHA collects from running the LIPH program and what private landlords make in section 8. If the LIPH units were to receive Project Based Section 8, the operator could use the difference between the costs of operations and payment from Section 8 to fund debt service for funds used to rehabilitate the units. In July 2009 the BHA Board accepted that recommendation. An Inventory Removal Application to HUD is the next step and requires a consultation process with the local jurisdiction. The relocation process with the tenants has begun and meetings with tenants and Legal Aid have been conducted. The application is expected to be submitted by December 31, 2009 and they expect it will take 100 days to process. BHA will continue meetings with tenants after the application has been submitted and will meet with affordable housing developers who might have an interest. In Spring the BHA could issue an RFQ to select a developer. Chair Norris noted that this application just opens the door and that there is no requirement to move forward even if HUD approves it. Councilmember Moore asked how many units are affected. Chair Norris replied that the application to HUD is for the 61 federal units and that BHA would need to submit to the State for the 14 State units. Councilmember Moore asked if there were enough section 8 vouchers to support this. Mr. Jepson responded that BHA could use its existing vouchers or could apply to HUD for additional allocation. Mayor Bates asked if the consultants were confident in the \$4.5 million estimate. Mr. Novak responded that they are but noted

that that figure is hard costs only and does not include design. Mayor Bates asked if they were confident that the spread would cover the loan. Mr. Novak indicated yes that the project based section 8 is very valuable, but that there is about a \$1 million gap remaining and they are assuming Housing Trust Fund money, and that the developer would find additional funds. Mayor Bates asked if it would be a for-profit or a non-profit developer. Mr. Novak indicated it was more likely to be a non-profit. Chair Norris said that they are already getting inquiries and that the tenants could also purchase the units if there was money available. Mr. Novak noted that a developer with a large existing portfolio could acquire these units and fold them into their existing operations. Mr. Jepson stated that after the loan is paid back, perhaps the developer could split some of the revenue from the project based section 8 with the BHA. Chair Norris stated that the Housing Choice Vouchers also operate at a deficit so they would prefer cash flow earlier. Councilmember Moore asked who maintains the waiting list once the units are disposed. Mr. Novak replied that if they are project based section 8, it is the BHA.

5. **Report from BHA Relocation consultants tenant outreach and implications of future repositioning:** A representative from Overland, Pacific & Cutler informed the committee that relocation notices had been issued to each household letting them know that the process is beginning and that meetings have been scheduled. November 3, 2009 were the first relocation meetings in the afternoon and evening. December 9, 2009 is the second residents meeting. The main role is to meet with the consultants one-on-one. There are two relocation programs: (1) for folks who are over-housed or over-income who can downsize, that is 26 folks; (2) for folks who can move back after renovation. For over-housed or over-income, the consultant will work with them to find another unit, even in adjacent communities such as Albany or Emeryville. They could receive moving benefits and relocation assistance if they have a gap in affordability, and could also receive section 8 vouchers if they qualify. 70% are either over-income or over-housed but 52% can be re-housed within the existing inventory. Mayor Bates asked what happens to people who are over-housed. The consultant said that is really driven by where they would like to go with their housing choice voucher. The overwhelming majority are low or very low income and only 4 families are over-income. They can afford median rent now but would still receive relocation benefits. Rental assistance payments could also be used to make a down payment on a home. Mr. Jepson recommends that current residents be given priority on a current section 8 waiting list to minimize the number of moves and give people options. Mayor Bates asked how long renovation would take. Mr. Novak stated that it will be a staged rehabilitation and will take some time. Mayor Bates asked how many families benefit from the utility payment. Mr. Novak stated there are about 12 families receiving the payment. Councilmember Moore asked how the first tenant meeting went. The consultant indicated that people expressed anger and shock but that they also came away with information and a place to go talk to somebody about it. Chair Norris stated that some people acknowledged that they are over-housed and that people had legitimate concerns about what is going to happen and what the timeline will be. Commissioner Moody said there are 3 groups of people: (1) people who are asking how the procedure would be to their advantage; (2) people who felt they've been ignored, that they've set down roots and raised their children and that this is their home; and (3) people who 'go along to get along' and are

somewhat in shock. Chair Norris noted that the goal is to upgrade the housing and keep it affordable in Berkeley and continue to house large families, as it was meant to do. Councilmember Moore expressed concern that it will be couched as a way for Berkeley to get rid of its minority community, and that we need to have minority families move in once the units are rehabilitated. Mayor Bates noted that four families will leave their unit but that the remainder will probably move back into the units, even if they are not in the same unit. Mr. Novak noted that the BHA has a website just for the disposition process. He also stated that Legal Aid would have liked to see another 6 months but that under the MOA with HUD, BHA needs to follow through. However, this does not preclude a robust resident process as part of the disposition process including involvement in rehabilitation and selection of the developer. Councilmember Moore noted that the resident councils were helpful in the Oakland Housing Authority disposition process and that other organizations such as BOCA and BEMA could be helpful. Mayor Bates asked the total number of sites. Mr. Novak said 15. Councilmember Moore noted that even if a person is given a voucher, unless they have a security deposit and good credit, they cannot really move. Chair Norris noted that BHA has a security deposit program now. The relocation consultant stated that the relocation budget factors in security deposits. Councilmember Moore suggested that they start credit counseling with tenants now, and consider the non-profit credit union as part of that.

6. **Report from the City Manager on Housing Trust Fund and BHA reservation of HTF funds:** City Manager Phil Kamlarz noted that he will sign a letter reflecting the consultation process and the City's support for the disposition application. One of the reasons for this process is to make the BHA financially viable. The current budget allocation to BHA from the City for this year is \$300,000 for operations. The City Council set aside \$700,000 from the Housing Trust Fund (HTF) and of that \$700,000, \$268,000 is needed for this year. The City will start the HTF process in February to allocate that money for BHA capital projects. He noted that there is no money in the City's FY 2011 budget for a BHA subsidy. Chair Norris said it is BHA's intent to get through the loan process before asking for additional subsidy. Councilmember Moore asked how much the developer could generate for BHA. Mr. Novak said \$145,000 per year. Councilmember Moore asked how many FTE's are dedicated to the LIPH. Ms. Ingram said 2.5. Chair Norris noted there are other costs including maintenance. Mr. Kamlarz noted that between savings and revenue, it should be net positive. Councilmember Moore stated his strong support for what is being done because HUD is underpaying for public housing. Mayor Bates noted that the BHA has done a great job, especially Chair Norris and the Board. Commissioner Moody noted that the reality is we have to be especially concerned about budgets and about the real life for current residents who are uncertain about their future. This is going to be an emotional and upsetting time for them. They don't see themselves as "over-housed." They see this as the place they've set down roots. They should be provided extra counseling to help them through this.
7. **Adjourn:** Adjourned at 6:25 p.m.