



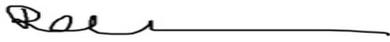
Berkeley Housing Authority

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Item 7F
NEW BUSINESS
March 10, 2022

Office of the Executive Director

To: Honorable Chair and Members of the Berkeley Housing Authority Board

From: 
Rachel Gonzales-Levine, Acting Executive Director

Subject: Approve an Additional 7 Project-based Vouchers for a total of 20 PBVs as an Extension of the Project-based Master HAP Contract with Sacramento Senior Homes for a period of 5 years (Sept. 2021 -Sept. 2026)

RECOMMENDATION

Extend the existing Project-based Master HAP contract for Sacramento Senior Homes for a period of 5 years, for an additional 7 PBVs, totaling 20 PBVs (with 13 approved by the Board in July 2021) to fulfill the maximum first contract term of 20 years.

BACKGROUND

During the June Board meeting, staff presented the recommendation to extend the Project-based Master HAP contract with Satellite Affordable Housing Associates for 39 units at Sacramento Senior Homes for five years, maxing out the first 20-year term. The Board discussed with representatives of SAHA their request for 5 additional years on the Master HAP Contract.

Questions included whether the project will be independently sustainable after the next 5 years, should the Board approve; why the annual per unit operating expense is higher than the standard; and what the specifics of the repairs/systems replacements are as outlined in the Physical Needs Assessment.

The Board determined it was not ready to vote on this item as it had additional questions and requests for documentation of SAHA. An ad hoc committee comprised of Board members Kashani, Schildt, and Levine was identified to discuss further and analyze forthcoming additional documentation from SAHA.

During the July Board meeting, the Board voted to approve 13 of the requested 39 PBVs to be extended for 5 years. During the January 2022 Board meeting, SAHA staff requested time during public comment to request Board consideration for another 7 PBVs, for a total of 20 PBV units for another 5 years. The Board indicated that it would like to see further documentation showing a lower per unit operational cost, in the area of \$8,000 - \$13,000, as well as assurances that Housing Choice Voucher (HCV) holders (those with "Tenant-based Vouchers") would be able to rent non-PBV units owned by SAHA, and then it would further consider an addition to the approval of 13 PBVS made already.

SAHA provided documentation/site budget of a per unit cost of \$12,883, as well as indicating a commitment to prioritize HCV households for their units in which they can accept an HCV.

Rachel asked the Board if it would like to have this item on the agenda, with a staff recommendation; the answer was yes.

Commissioner Kashani subsequently asked staff to purchase a Special Report from Novogradic “2021 Multifamily Rental Housing Operating Expense Report” to identify operational costs of LIHTC (tax credit) properties. The report, which compiles data from across the country, indicates:

- California median per unit expenses: \$6,303
- Properties with less than 50 units, median per unit expenses: \$6,298
- Small Metropolitan Areas median per unit expenses (population of 50,000–499,999): \$5,160.

The report indicates, as SAHA did during one of their presentations, that insurance costs for affordable housing projects have skyrocketed nationwide (up 20% in 2020), and especially so in California. As well, General operating Expenses are up 10% in 2020, and those costs include: trash collection, security, extermination.

SAHA also shared figures from the TCAC applications for two new construction projects with PBVs allocated by BHA:

- Blake Apartments: \$10,407 per unit expenses(63 units, families)
- Jordan Court: \$10,419 per unit expenses (35 units, seniors).

STATUS

SAHA originally submitted a request for a 5-year extension for all 39 units, citing a need for \$1.5 million in immediate improvements over the next 5 years, with \$5.3 million in improvements needed over the next 20 years. However, the property has Replacement Reserves totaling \$203,779. Plans are to defer some repairs until a potential 20-year second term of the master HAP contract. A list of financing includes a mortgage to US Bank totaling \$1,062,796, and deferred debt totaling \$4,539,469.

A Physical Needs Assessment (PNA) of the property documents the need for \$6.7 million in repairs and replacement in the next 20 years, as well as a need for \$364K per year required for replacement reserve deposits in order to cover the expected costs—see Key Findings from PNA dated March 5, 2021 (Attachment 2). Even with current rents in place, SAHA indicates reaching this goal is not possible. SAHA’s plan is to refinance using Tax Credits while in the short term continue relying on PBV income stream over the next 5 years.

Staff again supports an approval of a 5-year extension of an additional 7 PBVs, for a total of 20 units, to maximize the full first contract term of 20-years. Absent the PB vouchers, households would be provided a tenant-based voucher. However, should the family move to another jurisdiction with its voucher, BHA would lose Admin. Fee earnings. Additionally, BHA is guaranteed Admin. Fee for every unit under PB contract, regardless of whether the unit is leased up or not. So, for example, if a vacant unit is undergoing turnover/maintenance prior to a new PB household moving in, BHA continues to earn Admin. Fee during that time, something not true in the Tenant-based program.

FINANCIAL IMPLICATIONS OF ACTION

PBV units have guaranteed administrative fees; additionally, they are a secure source of housing options, unlike the HCV program where landlords can choose to participate with BHA or not when they have a vacancy.

CONTACT PERSON

Rachel Gonzales-Levine, Acting Executive Director, 981-5485

Attachments:

1. Resolution
2. Excerpt from March 5, 2021 Physical Needs Assessment

BERKELEY HOUSING AUTHORITY
RESOLUTION NO. 22-__

AUTHORIZING THE ACTING EXECUTIVE DIRECTOR TO ENTER INTO A FIVE YEAR EXTENSION OF THE FIRST TERM OF THE EXISTING PROJECT-BASED SECTION 8 MASTER HOUSING ASSISTANCE PAYMENT (HAP) CONTRACT WITH SATELLITE AFFORDABLE HOUSING ASSOCIATES FOR 20 UNITS AT SACRAMENTO SENIOR HOMES, FOR A TOTAL OF 20 YEARS IN THE FIRST TERM

WHEREAS the original Master HAP contract with Affordable Housing Associates (now Satellite Affordable Housing Associates, SAHA) for 39 units was signed in 2006 for a 10-year term that expired in Oct. 2016; and

WHEREAS the BHA Board approved a 1-year contract extension in Sept. 2016, which expired in Sept. 2017, and a subsequent 4-year contract extension in May 2017, which will expire in September of 2021; and

WHEREAS HUD's Housing Opportunity Through Modernization Act (HOTMA) of 2016, increases the length of time for the first term of a master Project-based contract to 20 years in total; and

WHEREAS BHA earns Administrative Fee for each PBV unit under Master HAP contract including the time it is vacant, being readied for lease up; and

WHEREAS the project serves 39 senior households including two with HIV/AIDS; and

WHEREAS staff reviewed the Administrative Plan criteria in determining whether to recommend approval of the extension of the first term of the contract including the cost of extending the contract and the amount of available budget authority; the need for substantial, unanticipated rehabilitation to preserve and/or extend the viability of the housing stock; and

WHEREAS Project-based housing is a critical and stable, long term housing option for the households that BHA serves (those at 0% - 50% of Area Median Income); and

WHEREAS Project-based housing is a stable, long term housing option protected against market fluctuations; and

WHEREAS the BHA Board approved 13 PBV units to be extended in July 2021; and

WHEREAS SAHA has subsequently, in February 2022 requested an additional 7 units to be extended for 5 years, in addition to the 13 approved by the BHA Board in July 2021; and

WHEREAS the Board directed staff to come to the March 10, 2022 Board meeting with a recommendation for the additional request of 7 units;

NOW THEREFORE BE IT RESOLVED THAT the Acting Executive Director is authorized to enter into a five-year extension of the first term of the existing Project-based Section 8 Master HAP contract with Satellite Affordable Housing Associates for a total of units at Sacramento Senior Homes for senior and disabled households, for a total of 20 years in the first term.

The foregoing Resolution was adopted by the Board of the Berkeley Housing Authority on March 10, 2022 by the following vote:

Ayes:

Noes:

Abstain:

Absent:

Attest: _____
Rachel Gonzales-Levine, Secretary

PHYSICAL NEEDS ASSESSMENT



**BUREAU
VERITAS**

prepared for

Satellite Affordable Housing Associates
1835 Alcatraz Avenue
Berkeley, California 94703
Lena Ortiz



Sacramento Senior Homes
1501 Blake Street
Berkeley, California 94703

PREPARED BY:

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BV PROJECT #:

141749.20R000-012.052

DATE OF REPORT:

March 5, 2021

ON SITE DATE:

February 23, 2021

Bureau Veritas

Key Findings

Key Findings 0

No key findings for this set of locations.

Systems Expenditure Forecast

System Expenditure Forecast

System	Immediate	Short Term (1-2 yr)	Near Term (3-5 yr)	Med Term (6-10 yr)	Long Term (11-20 yr)	TOTAL
Facade	-	-	-	\$121,336	\$386,758	\$508,094
Roofing	-	-	\$180,826	-	-	\$180,826
Interiors	-	\$159,173	-	\$489,866	\$486,639	\$1,135,678
Conveying	-	-	\$16,170	\$415,719	\$25,192	\$457,081
Plumbing	-	\$4,402	\$57,914	\$315,768	\$379,542	\$757,626
HVAC	\$11,973	-	\$133,265	\$10,111	\$822,749	\$978,098
Fire Protection	-	-	-	\$127,322	\$6,522	\$133,844
Electrical	\$57,470	\$16,258	\$656,309	\$31,660	\$1,008,719	\$1,770,416
Fire Alarm & Electronic Systems	-	-	\$176,792	-	\$83,456	\$260,248
Equipment & Furnishings	-	\$12,293	\$30,234	\$496,551	\$45,715	\$584,793
Site Utilities	-	-	\$9,767	-	-	\$9,767
Site Pavement	-	-	-	-	-	-
Site Development	-	-	\$1,283	-	-	\$1,283
TOTALS	\$69,500	\$192,200	\$1,262,600	\$2,008,400	\$3,245,300	\$6,778,000