



**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**



*Carroll Dept*  
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June 27, 1989

Housing Authority of the  
City of Sacramento  
Sacramento, California



Honorable Members in Session:

**SUBJECT:** Policy for Section 8 Certificate - Project Based Assistance Program.

SUMMARY

This report recommends:

1. Adoption of a Section 8 Certificate - Project Based Subsidy Program;
2. Adoption of project selection criteria;
3. Allocation of fifteen percent of the Housing Authority's existing Section 8 Certificates, over a three year period, to the Project Based Program of which seventy percent would be allocated to new construction and thirty percent would go to rehabilitation activities; and,
4. Direction to staff to seek projects to enter into agreements under this program.

BACKGROUND

Pursuant to recent amendments to Federal regulations the Department of Housing and Urban Development (HUD) in January 1989 issued interim rules for the implementation of a Section 8 Certificate - Project Based Assistance Program. This program allows Public Housing Authorities to allocate up to 15% of the Section 8 existing rental assistance Certificates to be attached directly to specific projects' units. The Housing Authority project based contract cannot extend beyond the term of the HUD Section 8 funding commitment Annual Contributions Contract (ACC).

New construction and rehabilitation of existing multi-family

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All Districts

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housing is permitted under this program. Since regulations have not been issued for new construction there is time to design a well thought-out program, identify feasible sites and develop plans for high quality housing developments. For existing housing, owners will be required to do a minimum of \$1,000 worth of rehabilitation for each project based unit. Projects which would result in permanent displacement of tenants are not eligible for project based funds.

Project Based Assistance Program project selection criteria are recommended as follows (not in priority order):

## 1. General Criteria:

- A. Projects should meet special housing needs for such groups as seniors, handicapped and large families.
- B. Projects should provide mixed-income housing.
- C. The number of Certificates awarded to a project should be based on the number needed to make the project economically feasible.
- D. Eligible project sponsors must have a good track record in development and management of low-income housing.
- E. Proposed housing developments should be well designed, constructed with quality materials, and planned to be compatible with surrounding neighborhoods in terms of density, housing type and appearance.
- F. Proposed projects will receive special consideration for program support which combine State and/or Federal funds with Project Based Program assistance.

## 2. Rehabilitation

- A. Projects should be in accordance with the Housing Assistance Plan (HAP). Priority should be given to existing multi-family developments which have received, or are budgeted to receive, other (non-Section 8 project based) Agency assistance, and where issuance of Section

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8 Certificates under the Project Based Assistance Program would be a determining factor in securing long-term financial stability of the project.

- B. Projects shall be located in a Redevelopment, Community Development Block Grant (CDBG) or rental rehabilitation target area, or high priority areas under the "Fair Share" Plan of the Housing Authority.
- C. Acquisition and rehabilitation projects are eligible for funding when the project contributes to neighborhood stabilization and preservation.
- D. Projects currently supported with federally funded rent subsidies and subject to conversion to market rate rents should be eligible for program support where feasible.
- E. Priority for program assistance should be for projects which provide the greatest private expenditure per unit for rehabilitation.

### 3. New Construction

- A. Sites should be located in accordance with the Fair Share plan so that the project contributes to disbursing lower-income housing throughout the City and County.
- B. Sites proposed for this program should be in areas where community facilities, shopping, and public transportation are in the immediate vicinity, especially for projects designed for seniors and handicapped.
- C. Proposed sites should have correct general plan and zoning designations in place prior to application for program assistance.
- D. Smaller scale developments are preferred to larger, with no more than a total of sixty housing units per development.

It is recommended that the Agency adopt as policy the federal regulation provision that up to fifteen percent (15%) of the Housing Authority's Section 8 Certificate allocation be set-aside for the Project Based Program. This would mean that 557

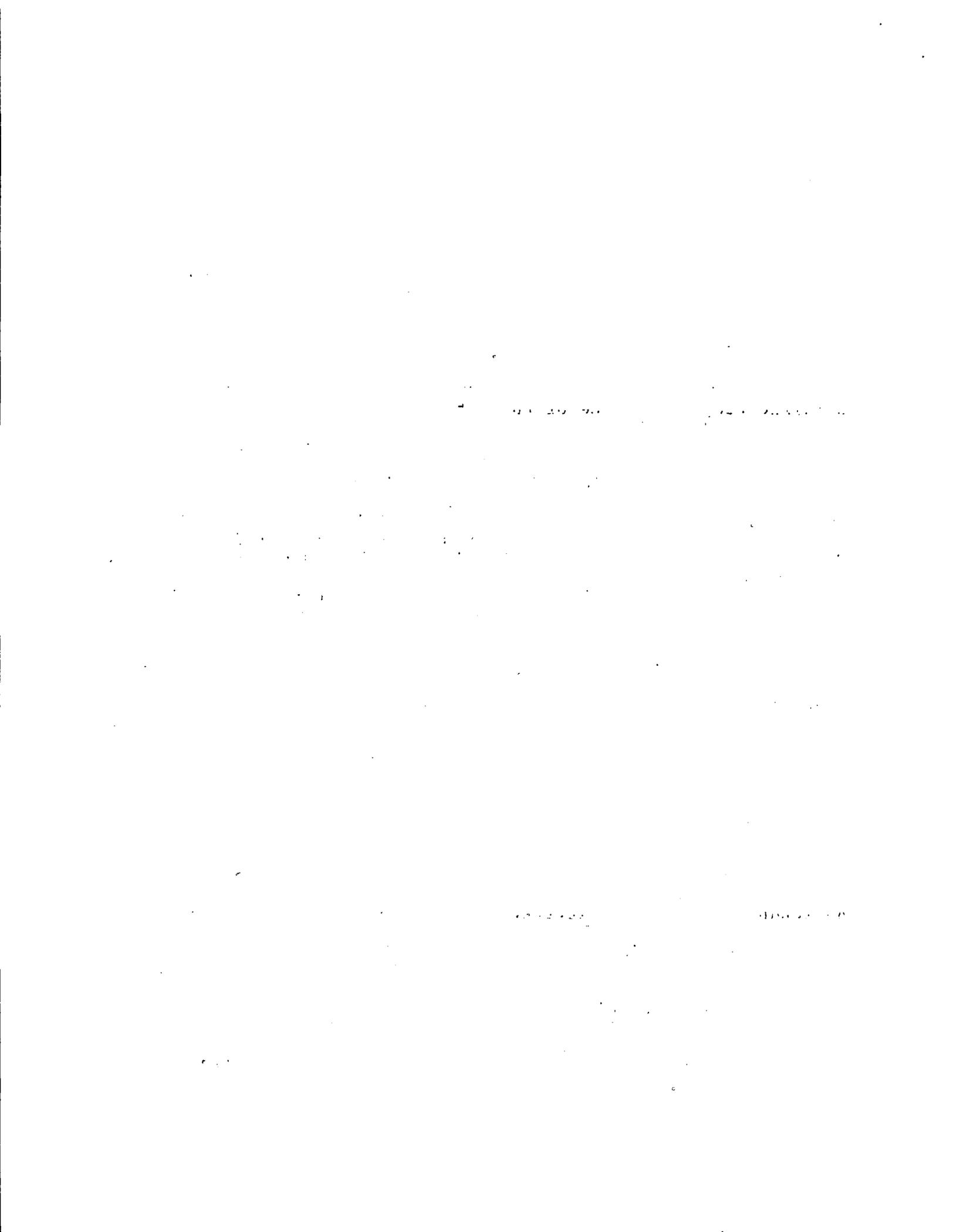
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Certificates (15%) of the total existing 3,717 Section 8 Certificates allocated to the Housing Authorities of the City and County would be set-aside for this program. It is further suggested that the 557 Certificates be set aside over a three year period for several reasons.

Because Sacramento has not received any new ACC's for Section 8 Certificates, the source of the set-aside is turnover of existing Section 8 Certificates. This means that when a Certificate becomes available it would not then be issued to the next eligible household on the waiting list. It would, instead, be assigned to a specific unit in a project under this proposed program, and would remain with that unit for the duration of the contract. Because Certificates are specific by bedroom size and other factors, there will be some complexity in matching turnover Certificates with types of units in a project under the Program. The three year phase-in period will allow time to develop a process for this function. Also, should new construction be the primary focus of the program, as recommended, there will not be an immediate need for setting aside Certificates because of the long lead time required for planning and predevelopment typical of new construction projects. We recommend that Certificates be "banked" and "reserved" for a project with project based Certificates, only after the plans to proceed with the project are firm, and within as near a time of the project's opening as possible. Any loss of administrative fees to the Agency during this period must be offset by the project's developer. This practice will be implemented as specific projects are proposed. The reimbursement of fees will be identified in the staff report related to specific project developments and incorporated into the Development Loan Agreement for each proposed project.

There are several advantages of a Section 8 Certificate Project Based Program. It is recommended that the Project Based Assistance Program be focused on new construction because there is a significant need for new affordable rental housing for families and special needs groups. Also, a new construction program would contribute to other important housing goals, especially disbursement of lower cost housing from areas of low-income concentration. Because the award of a Project Based Certificate results in the loss of a "person" based Certificate, we strongly recommended that Certificates only be used to support the highest priority projects and those that are likely to be most successful.



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Another benefit of the program is that it would provide an incentive to housing developers and help stimulate the production of new affordable housing, especially family, handicapped, and senior rental housing units, which are greatly needed. Further, constructing new affordable units in "fair share" areas would help to implement the policy of disbursing low-income housing and providing a greater range of housing opportunities for low-income households. Another advantage for a Project Based Assistance Program for new construction is that households on the Section 8 waiting list would have the benefit to accept units in newly constructed developments located in neighborhoods that might not be available with existing low-income multi-family projects. Rehabilitation projects contribute to achieving target

Disadvantages of a project based Section 8 program would be that possibly up to 200 existing Section 8 Certificates per year over the next three years would not be available under the present "person" based system which gives recipient households a selection of existing developments and locations. Other potential problems with setting aside existing certificates could involve additional administrative efforts, at least initially, to match turnover Certificates with specific unit mixes in planned projects. Furthermore, timing the availability of Certificates with occupancy readiness of project based units will result in Certificates going unused as they are being "banked" by the Agency awaiting assignment to a specific project unit when it is ready for occupancy. These problems would be minimized if Sacramento made its project based allocation from new ACC authority. However, although this would be the preferred approach, new Certificate ACC's are not expected in the near future. Another possible disadvantage is that Certificates assigned to units are not portable. Therefore, a person on the Section 8 list, who elects to move into a project under the Project Based Assistance Program, would be without a Certificate if he/she decides to move from the project.

Although we believe the program has potential to provide a substantial and powerful financing tool for low-income housing, the current regulations make the program a challenge to implement. The major, most limiting, problem is the fact that you cannot enter into a HAP contract, unless two years remain on our ACC. Sacramento ACC's are to expire December 14, 1990. We believe HUD will approve a one year extension. That means, we

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must get HUD's approval for an extension, identify a project, enter into an Agreement for project based Certificates, have the project complete construction or rehabilitation, all before December 14, 1989 (assuming a one year extension on the ACC). We have not yet officially received notice from HUD of this extension. Therefore, save for one or two special projects, this program may go unused. We request this policy approval however, so that we can proceed with a project should the timing work in our favor.

## FINANCIAL DATA

There may be some loss of revenues to the Housing Authority for the administration of the Section 8 Certificates Program should turnover Certificates be set-aside, and not used for any period of time. Currently, under normal attrition there are 12 unused Certificates per month. For each unused Certificate the Housing Authority loses approximately \$40 per month in administrative fees. Thus, under a worst case scenario, the maximum revenue loss of a Project Based Assistance Program set-aside of up to 200 Certificates per year assuming all 200 Certificates were set-aside for twelve months could be up to \$95,000. The loss of income could jeopardize the HUD required reserve balances in our Conventional Housing Program since Section 8 supplements Conventional Housing with its surplus administrative fees. Nonetheless, it is highly unlikely that 200 units would be set-aside for a year nor go unused for any extended length of time. However, to mitigate this potential situation, it is imperative that staff design and implement a process which optimizes the timing of set-aside and re-issuance of Certificates to project based units and limits any potential loss of revenue. Any projected losses must be made up by the project developer.

There may be some initial increased administrative cost to implement a project based program, as well. However, given the three year phase-in time for the program this cost is expected to be minimal.

## ENVIRONMENTAL REVIEW

Pursuant to the California Environmental Quality Act (CEQA), the proposed policy is not a project per Section 15378 (b)(3). Under the National Environmental Policy Act (NEPA), the proposed policy is exempt per 24 CFR 58.34 (a)(2).

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POLICY IMPLICATIONS

This proposal recommends adoption of program criteria for a Section 8 Certificate - Project Based Assistance Program which would be a new policy for the Agency.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of June 19, 1989 the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

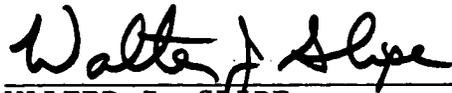
- AYES: Moose, Sheldon, Simon, Strong, Wooley, Yew, Wiggins
- NOES: None
- ABSENT: Amundson, Pernel
- NOT PRESENT TO VOTE: Simpson

RECOMMENDATION

The staff recommends that you adopt the attached resolution: (1) adopting a Section 8 Certificate - Project Based Assistance Program; (2) adopting project selection criteria (3) allocating fifteen percent of the Housing Authorities existing Section 8 Certificates to the Project Based Assistance Program of which seventy percent would be allocated to new construction and thirty percent would go to rehabilitation activities and (4) directing staff to seek projects to enter into agreements under the Project Based Assistance Program.

Respectfully submitted,

TRANSMITTAL TO COUNCIL:



WALTER J. SLUPE  
City Manager



ANDREW J. PLESICA  
Acting Executive Director

Contact Person: John Molloy - 440-1357

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# RESOLUTION NO. 89-020

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO



ON DATE OF \_\_\_\_\_

## RESOLUTION APPROVING POLICY FOR SECTION 8 CERTIFICATE - PROJECT BASED AND IMPLEMENTATION OF ASSISTANCE PROGRAM

BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

Section 1. A Section 8 Certificate - Project Based Subsidy Program in accordance with guidelines of the U.S. Department of Housing and Urban Development is hereby adopted.

Section 2. Project selection criteria for the Project Based Subsidy Program as set forth below are hereby adopted:

General Criteria:

- a. Projects should meet special housing needs for such groups as seniors, handicapped and large families.
- b. Projects should provide mixed income housing.
- c. The number of Certificates awarded to a project should be based on the number needed to make the project economically feasible.
- d. Eligible project sponsors must have a good track record in development and management of low-income housing.
- e. Proposed housing developments should be well designed, constructed with quality materials, and planned to be compatible with surrounding neighborhoods in terms of density, housing type and appearance.
- f. Proposed projects will receive special consideration for program support which combine State and/or Federal funds with Project Based Program assistance.

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**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

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Rehabilitation

a. Projects should be in accordance with the Housing Assistance Plan (HAP). Priority should be given to existing multi-family developments which have received, or are budgeted to receive, other (non-Section 8 project based) Agency assistance, and where issuance of Project Based Section 8 Certificates under the Project Based Assistance Program would be a determining factor in securing long-term financial stability of the project.

b. Projects shall be located in a Redevelopment, Community Development Block Grant (CDBG) or rental rehabilitation target area, or high priority areas under the Fair Share Plan.

c. Acquisition and rehabilitation projects are eligible for funding when the project contributes to neighborhood stabilization and preservation.

d. Projects currently supported with federally funded rent subsidies and subject to conversion to market rate rents should be eligible for program support where feasible.

e. Priority for program assistance should be for projects which provide the greatest private expenditure per unit for rehabilitation.

New Construction

a. Sites should be located in accordance with the Fair Share plan so that the project contributes to disbursing lower-income housing throughout the City and County.

b. Sites proposed for this program should be in areas where community facilities, shopping, and public transportation are in the immediate vicinity, especially for projects designed for seniors and handicapped.

c. Proposed sites should have correct general plan and zoning designations in place prior to application for program assistance.

d. Smaller scale developments are preferred to larger, with no more than a total of sixty housing units per development.

Section 3. The Housing Authority shall allocate not more than fifteen (15%) of the existing Section 8 Certificates, over a three year period, to the Project Based Assistance Program, of which seventy percent (70%) shall be allocated to new construction and thirty percent (30%) shall be allocated to rehabilitation activities.

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RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

Section 4. The Acting Executive Director is hereby authorized to solicit with developers to propose projects under the Project Based Subsidy Program which meet the selection criteria herein specified.

\_\_\_\_\_  
CHAIR

ATTEST:

\_\_\_\_\_  
ASSISTANT SECRETARY

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