

October 3, 2001

Housing Authority of the  
City of Sacramento  
Sacramento, California

Honorable Members in Session:

**SUBJECT** - HOUSING CHOICE VOUCHERS (FORMERLY "SECTION 8")

**LOCATION & COUNCIL DISTRICT** - Citywide

**RECOMMENDATION**

Staff recommends adoption of the attached resolution which authorizes the Executive Director or her designee to amend the current Administrative Plan to allow the Housing Choice Voucher (HCV) to be used for first time home-ownership, and project-based rental assistance; and establish a revolving loan fund to assist qualified HCV families with security deposits, capitalized with \$200,000 from Housing Reserves.

**CONTACT PERSONS**

Edward White, Director of Housing, 440-1337  
Mark Stephenson, Assistant Director of Housing, 440-1395

**FOR COUNCIL MEETING OF** – October 23, 2001

**SUMMARY**

The goal of the proposed initiatives is to help more low-income families use their Housing Choice Voucher to obtain affordable housing, improve future funding possibilities, and reduce the amount of federal funding being recaptured because it is not being utilized in the current rental market. Additional flexibility proposed for the voucher includes project-basing up to 20% of rental assistance and authorizing use of the voucher for first time home buyer mortgage subsidies. A revolving loan fund would be capitalized with \$200,000 from existing housing reserve funds to help low income families with vouchers to pay their security deposits.

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### COMMISSION ACTION

At its meeting October 3, 2001, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Amundson, Burns, Castello, Faust, Graham, Harland, Hoag, McCarty,  
Newsome, Simon  
NOES: None  
ABSENT: Cespedes

### BACKGROUND

The Housing Choice Voucher (HCV) program (formerly Section 8, or "Certificate" program) provides rental subsidies that allow over 8,600 low-income families throughout the City and County of Sacramento to rent reasonably priced private market housing. The annual budget for this federally funded program through the U.S. Department of Housing and Urban Development exceeds \$50 million.

Last year, over \$3 million in available rent subsidies went unused, primarily due to the tightening rental market. This money was recaptured by HUD for use in communities with markets able to utilize the funds. Unused funds this year could total nearly \$4 million unless initiatives are taken to broaden voucher use in the Sacramento area. About 700 additional families could benefit from this rental assistance if they were able to utilize it in the current market. In addition, funding has just been made available to assist another 850 families, for a total of more than 1,500 families.

The tightening rental market in the Sacramento area is making it increasingly difficult for low income families who receive rent subsidies through the federal Housing Choice Voucher (HCV) program (formerly known as "Section 8") to rent housing in the private market. This report proposes three initiatives:

- (1) Project-Based Assistance
- (2) The Home Ownership Option; and,
- (3) A Revolving Loan Fund for Security Deposits.

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### Housing Choice Voucher: Project-Based Assistance

HUD allows housing agencies to designate up to 20% of their voucher allocation as project-based assistance (PBA). Locally, this would amount to about 2,000 units. PBA can be assigned to existing buildings or newly constructed units via a public Request for Proposals. SHRA enters into a ten-year contract, subject to annual HUD appropriations, with Owners who agree to accept voucher-eligible families for the designated units. Generally, owners of larger complexes, or at least a larger number of units, i.e., 20, will be most interested in this option.

Through the RFP process, SHRA hopes to achieve a wide range of housing choices, including SRO's and one-bedroom units, as well as housing for families needing three and four bedrooms.

With new construction, tenants housed in PBA units will come from the SHRA wait list. For existing units, as long as the current tenant is voucher-eligible, that tenant could benefit from the subsidy. If they move from the unit, with tenant-based rental assistance after one year, the next tenant to reside in the unit would have to come from SHRA's wait list. The unit would have the subsidy attached to it, and be available (and affordable) for up to ten years.

Developers meeting their inclusionary housing requirements are believed to be the most motivated to participate in the new construction component.

This is a variance from the current program, which is primarily "tenant" based. With PBA, the subsidy stays with the unit. The end result is an additional voucher placed under lease, a unit that is reserved for a low-income family, and an additional low-income family that is not paying as much for housing.

### Housing Choice Voucher: Homeownership Option

The voucher subsidy has traditionally been used to subsidize rental units. With new flexibility granted by HUD, housing agencies now have the option to use the subsidy to assist low income, first time homebuyers. The amount of funding that was formerly used just for rent can now be combined with the tenant's former rent amount, to pay a family's mortgage.

HUD requires that families successfully complete comprehensive home-buyer counseling, be first-time home-buyers, meet a minimum income requirement (\$10,300 annually), and have a member who has worked at least a year. Welfare payments cannot be counted as income in qualifying for a loan. Elderly and disabled family members are exempted from the minimum income, length of employment, earned income, and first-time buyer requirements. A whole-house inspection is required and must be conducted by a certified professional. The housing agency has the right to approve the loan documents, even when the buyer obtains a private

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mortgage. Post-purchase counseling and early default interventions are parts of the local program.

While there is intense interest in this program among Housing Choice Voucher program participants, relatively few will qualify. Acceptance of this concept by the banking community is encouraging. Initial indications are that Fannie Mae will provide a secondary market for loans secured with the voucher. Staff estimates that no more than 200 vouchers will be so utilized within the next 12 months. The maximum subsidy dedicated to home ownership is limited to 5% a year (400 units), or 20% (1,600 units) total.

### Revolving Loan Fund for Security Deposits

Lack of a sufficient security deposit keeps many families from leasing a suitable place to live. This is especially true for families requiring three or more bedrooms where property owners and managers demand larger security deposits. The Housing Choice Voucher program assists with the rent, but there is no provision for assisting with up-front security deposits.

By establishing a Revolving Loan Fund - initially capitalized with \$200,000 from existing administrative fees reserves - loans for up to \$1,000, or 70% of the total security deposit amount, could be made to new program participants looking for a place to lease. The family would pay the no interest loan back to SHRA over a twelve-month period, re-capitalizing the Revolving Loan Fund, allowing more families to receive similar assistance. Qualified families would be contractually obligated to repay the loan. Modified loan underwriting guidelines would apply to ensure that Revolving Loan Fund loans were targeted to those families whose primary barrier to locating suitable housing is insufficient security deposit funds. Participants with poor rental, credit, or criminal histories would not be eligible for loans since their chances for finding suitable housing are slim even with additional funds for a security deposit. Also, the total amount of the tenant rent plus the monthly repayment of the security deposit loan cannot exceed 45% of participants' monthly gross income.

### FINANCIAL CONSIDERATIONS

The staff recommends adopting additional flexibility and incentives to fully lease the voucher program to assist more families and to assure that we are able to utilize all the funding available through the Housing Choice Vouchers. The \$4 million in federal money currently allocated will help make more than 700 affordable housing units available to low-income families. With the addition of \$5 million more this year, another 850 families will have the potential to benefit from decent and affordable housing. Altogether, more than \$9 million for 1,500+ affording housing units is currently available, but could be recaptured by the federal government and re-

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allocated to other communities if not utilized locally. Administering these additional units under the HCV program could generate close to \$1 million in additional revenue to the Agency.

Establishing a security deposit revolving loan fund, capitalized with \$200,000 from the existing Housing Reserve fund, would be a prudent investment in assisting qualified low income families to obtain decent, affordable housing. The balance of the Housing Reserve fund would be \$1,600,000, after capitalizing the Loan Fund.

### POLICY CONSIDERATIONS

Existing policy would be amended to allow up to 20% of existing tenant-based funding through the Housing Choice Voucher (HCV) program to be allocated to project-based based assistance. In addition, a portion of HCV rent subsidies could be used for first-time homebuyer mortgage subsidies. Finally, a new 12 month, no interest, Revolving Loan Fund would be established to help eligible new voucher-holders afford security deposits.

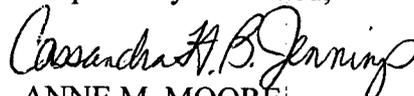
### ENVIRONMENTAL REVIEW

The proposed action does not constitute a project under the California Environmental Act (CEQA) per Guidelines Section 15378 (b)(2), and is exempt from the National Environmental Policy Act (NEPA) per 24 CFR Part 58.34 (a)(2).

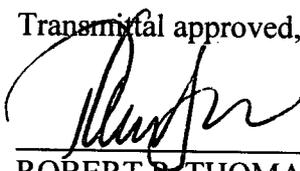
### M/WBE CONSIDERATIONS

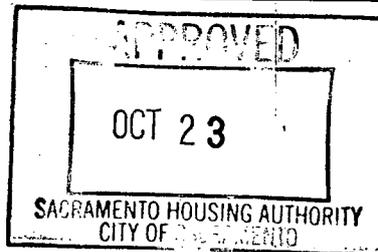
M/WBE considerations do not apply in this report.

Respectfully submitted,

  
For ANNE M. MOORE  
Executive Director

Transmittal approved,

  
ROBERT P. THOMAS  
City Manager



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**RESOLUTION NO. 2001-013**

**ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO**

ON DATE OF

**HOUSING CHOICE VOUCHER  
PROJECT-BASED ASSISTANCE, HOMEOWNERSHIP OPTION, AND  
SECURITY DEPOSIT REVOLVING LOAN FUND**

Whereas, the Housing Choice Voucher (formerly "Section 8") is an important, federally-funded rent-subsidy program that assists many low-income residents pay their rent for privately-owned decent, safe, and sanitary housing, and

Whereas, the rental market in the City of Sacramento and Sacramento County is experiencing rising rents and lower vacancy rates which makes it difficult for low income families to lease decent housing, and

Whereas, a significant obstacle for some low-income families to rent suitable housing is the large security deposits being required by many private owners, and

Whereas, the federal government allows local communities to enhance the flexibility of the Housing Choice Voucher by allowing up to 20% of rental assistance to be project-based, and used to assist first-time low-income home-buyers,

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

Section 1. The Executive Director or her designee shall establish the Revolving Security Deposit Loan Fund and provide loans therefrom in accordance with the guidelines stated in the attached staff report.

Section 2. The Executive Director or her designee shall have the authority to transfer \$200,000 from existing Housing Reserve funds to the Revolving Security Deposit Loan Fund.

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**FOR CITY CLERK USE ONLY**

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

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

Section 3. The Executive Director shall have the authority to amend the Administrative Plan for the Housing Choice Voucher Program and the Annual and 5 Year Plans of the Housing Authority of the City of Sacramento to do the following:

- a. facilitate the conversion of up to 20% of the Housing Choice Voucher tenant-based assistance to Project-Based Assistance, and
- b. include a Homeownership Option as an allowed use of the Housing Choice Voucher in accordance current federal regulations.

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CHAIR

ATTEST:

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SECRETARY

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**FOR CITY CLERK USE ONLY**

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

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

# AMENDED

## RESOLUTION NO. 2001-013

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

ON DATE OF

OCT 23 2001

### HOUSING CHOICE VOUCHER PROJECT-BASED ASSISTANCE, HOMEOWNERSHIP OPTION, AND SECURITY DEPOSIT REVOLVING LOAN FUND

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Section 4: The Housing Choice Voucher program will not replace other external funding sources.

**HEATHER FARGO**

CHAIR

ATTEST:

**VALERIE BURROWES**

SECRETARY

**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: **2001-013**  
DATE ADOPTED: **OCT 23 2001**

**RESOLUTION NO. \_\_\_\_\_**

**ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO**

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

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PROJECT-BASED ASSISTANCE, HOMEOWNERSHIP OPTION, AND  
SECURITY DEPOSIT REVOLVING LOAN FUND**

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