AGENDA

HOUSING AND COMMUNITY DEVELOPMENT (HCD) COMMISSION REGULAR MEETING

THURSDAY, JUNE 6, 2024
7:00 P.M.
COUNCIL CHAMBERS
555 SANTA CLARA STREET
VALLEJO, CA 94590

Members of the public will be able to participate in person or remotely via Zoom. City Hall and the Council Chambers will be open to members of the public 30 minutes prior to the start of the meeting.

IMPORTANT NOTICE REGARDING THE JUNE 6, 2024 HCD COMMISSION MEETING

This AGENDA contains a brief general description of each item to be considered. The posting of the recommended actions does not indicate what action may be taken. If comments come to the Housing and Community Development Commission without prior notice and are not listed on the AGENDA, no specific answers or response should be expected at this meeting per State law.

Pursuant to Government Code Section 54954.3 (The Brown Act), members of the public shall be afforded the opportunity to speak on any agenda item of interest to them provided they are first recognized by the Presiding Officer. Members of the public wishing to be so recognized are requested to submit a completed speaker card to the Secretary of the Commission prior to the consideration of the item.

Members of the public have the right to speak on any item on this agenda. Those wishing to address the Housing and Community Development Commission on an Action Calendar item are limited to five minutes pursuant to Vallejo Municipal Code Section 2.02.420.

PUBLIC COMMENT: Members of the Public may provide public comments during the Housing and Community Development Commission. Hybrid options are available for members of the public to participate.

- In person
- Via Zoom (https://ZoomRegular.Cityofvallejo.net)
- Via phone, by dialing (669) 900-6833. Enter Meeting ID: 914 0075 0676#. Press *9 to digitally raise your hand from the phone

In-person speakers will be recognized first. For additional instructions on how to speak remotely during public comment, please visit www.cityofvallejo.net/publiccomment.

VIEW THE MEETING: There are four different ways you can view this public meeting:

- In person
- Watch Vallejo local channel 28
- Stream from the City website: www.cityofvallejo.net/Streaming
- Join the Zoom webinar: https://ZoomRegular.Cityofvallejo.net

Notice of Availability of Public Records: All public records relating to an open session item, which are not exempt from disclosure pursuant to the Public Records Act, that are distributed to a majority of the Housing and Community Development Commission, will be available for public inspection at the Housing and Community Development Department, 200 Georgia Street, Vallejo, CA 94590 at the same time that the public records are distributed or made available to the Housing and Community Development Commission. Such documents may also be available on the City of Vallejo website subject to staff's ability to post the documents prior to the meeting. Information may be obtained by calling (707) 648-4507, TDD (800) 735-2929.

ADDITIONAL CITY INFORMATION
Members of the public can:
Like us on Facebook and Instagram (@cityofvallejo)
LinkedIn: Linkedin.com/company/city-of-vallejo
Sign up to receive City Communications via e-mail (www.cityofvallejo.net/subscribe)
Sign up for emergency alerts at: alertsolano.com

	In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk at dawn.abrahamson@cityofvallejo.net Notification at least 48 hours prior to a meeting will enable the City to make reasonable arrangements to ensure accessibility to that meeting. [28 CFR.35.102.35.104 ADA Title II]. The Vallejo Housing and Community Development Department may be contacted as follows: Tel: (707) 553-7204, Fax: (707) 648-5249, or e-mail: chari.francisco@cityofvallejo.net. The hearing impaired may call the California Relay Service at (800) 735-2922 without a TTY/TDD, or (800) 735-2929 with a TTY/TDD.

1. CALL TO ORDER

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL

4. PRESENTATIONS

5. APPROVAL OF MINUTES

6. WRITTEN COMMUNICATIONS

7. REPORT OF THE SECRETARY

8. REPORT OF THE CHAIR AND MEMBERS OF THE HOUSING AND COMMUNITY DEVELOPMENT COMMISSION, AND LIAISON REPORT

A. Report of the Chair and Members of the Housing and Community Development Commission

B. Report of City Council Liaison to the Housing and Community Development Commission

9. COMMUNITY FORUM

The Community Forum is an opportunity for residents to discuss items not on the agenda that are within the purview of the Commission. The Commission may not discuss or act on these items but may require they be placed on a future agenda. If an item is not within the purview of the Commission, the person may be referred to the appropriate party. Members of the public wishing to address the Commission on Action Calendar items may do so by submitting a completed speaker's card to the Secretary or via teleconference. Each speaker participating under the Community Forum shall be limited to a maximum of three minutes pursuant to Vallejo Municipal Code Section 2.02.300.

Any interested members of the public desiring to communicate with the Commission as part of the Community Forum may do so via:

- *In person*
- *Zoom: (https://ZoomRegular.Cityofvallejo.net),*
- *Phone: Dial (669) 900-6833. Enter Meeting ID: 914 0075 0676#. Press *9 to raise your hand digitally from the phone.*

In-person speakers will be recognized first. For additional instructions on how to speak during public comment, please visit www.cityofvallejo.net/publiccomment.

10. PUBLIC COMMENT REGARDING CONSENT CALENDAR ITEMS

Members of the public wishing to address the Commission on Consent Calendar items may do so by submitting a completed speaker's card to the Secretary or via teleconference. Each speaker is limited to three minutes pursuant to Vallejo Municipal Code Section 2.02.310. Request for removal of Consent Items received from the public are subject to approval by a majority vote of the commission. Items removed from the Consent Calendar will be heard immediately after approval of the Consent Calendar and the Agenda.

Any interested members of the public desiring to communicate with the Commission as part of this item may do so via:

- *In person*
- *Zoom: (https://ZoomRegular.Cityofvallejo.net),*
- *Phone: Dial (669) 900-6833. Enter Meeting ID: 914 0075 0676#. Press *9 to raise your hand digitally from the phone.*

In-person speakers will be recognized first. For additional instructions on how to speak during public comment, please visit www.cityofvallejo.net/publiccomment.

11. CONSENT CALENDAR AND APPROVAL OF THE AGENDA

A. Discussion on acknowledging and/or naming Vallejo's Navigation Center after Maria Guevarra (Step 2 of 2)

12. ACTION CALENDAR

Members of the public wishing to address the Commission on Action Calendar items may do so by submitting a completed speaker's card to the Secretary or via teleconference. Each speaker is limited to five minutes pursuant to Vallejo Municipal Code Section 2.02.420.

Any interested members of the public desiring to communicate with the Commission as part of this item may do so via:

- *In person*
- *Zoom: (https://ZoomRegular.Cityofvallejo.net),*
- *Phone: Dial (669) 900-6833. Enter Meeting ID: 914 0075 0676#. Press *9 to raise your hand digitally from the phone.*

In-person speakers will be recognized first. For additional instructions on how to speak during public comment, please visit www.cityofvallejo.net/publiccomment.

A. Proposed Fiscal Year 2024-25 Budget of the Housing Authority of the City of Vallejo (HACV)

The HACV prepares an annual budget to coincide with the City of Vallejo's fiscal year, which begins July 1. Approving a Budget allows the HACV to operate and provide services after June 30, 2023, based on the most current projection of revenues and expenditures.

For more information, a staff report is enclosed with the agenda.

Recommendation: Adopt the enclosed Resolution recommending that the Board of Directors of the Housing Authority of the City of Vallejo (HACV) approve the proposed Budget of the HACV for Fiscal Year 2023-24, (July 1, 2024 through June 30, 2025).

B. Proposed Fiscal Year 2024-25 Budget Amendment of the Housing Authority of the City of

Vallejo (HACV) to fund the HACV Housing Choice Voucher Landlord Incentive Program

For more information, a staff report is enclosed with the agenda.

Recommendation: Adopt the enclosed Resolution recommending that the Board of Directors of the Housing Authority of the City of Vallejo approve the proposed allocation of Housing Choice Voucher Program administrative fees in the amount of $50,000 to support the implementation of the HACV's Housing Choice Voucher (HCV) Landlord Incentive Program. Funding for the incentive program will not exceed $50,000 on a fiscal year basis.

13. ADJOURNMENT

AFFIDAVIT OF POSTING

I, Chari Francisco, do hereby certify that I have caused a true copy of the above notice and agenda to be delivered to each of the members of the City of Vallejo Housing and Community Development Commission, at the time and in the manner prescribed by law and that this agenda was posted at Vallejo City Hall, 555 Santa Clara Street, Vallejo, California at 6:00 p.m. on June 3, 2024.

Dated 6/03/2024 Chari Francisco, Secretary

ACTION CALENDAR 12. A.

DATE: June 6, 2024

TO: Chair and Commissioners
Housing and Community Development Commission

FROM: Alicia M. Jones, Housing Director
Chari Francisco, Administrative Manager

SUBJECT: PROPOSED FISCAL YEAR 2024-25 BUDGET OF THE HOUSING AUTHORITY OF THE CITY OF VALLEJO

RECOMMENDATION

Adopt the enclosed Resolution recommending that the Board of Directors of the Housing Authority of the City of Vallejo (HACV) approve the proposed Budget of the HACV for Fiscal Year 2024-25, (July 1, 2024 through June 30, 2025) as set forth in Attachment 2, and also shown as Exhibit 1 to Attachment 1.

REASONS FOR RECOMMENDATION

The HACV contracts with the City of Vallejo for financial and other services. The HACV prepares a separate budget, which is then consolidated into the City's FY 2024-25 Proposed Budget document. Preparation of a separate budget document increases efficiency and ease of review by the HACV Board and the public. Adopting the Budget Resolution at this time will allow the HACV to operate and provide services after June 30, 2024 based on the most current projection of revenues and expenditures.

BACKGROUND AND DISCUSSION

In FY 2024-25, the HACV will deliver the Housing Choice Voucher (HCV) Program, more commonly known as "Section 8", and its subprograms: Homeownership, Veterans Affairs Supportive Housing (VASH), Project-Based Voucher, Family Self-Sufficiency (FSS), and the Foster Youth to Independence. All programs administered by the HACV are funded by the U.S. Department of Housing and Urban Development (HUD). The budget for FY 2024-25 consists of revenues and expenditures under different fund accounts for the HCV program, administration, operating reserve, housing development, and affordable housing. The total Proposed FY 2024-25 Expenditure Budget for HACV programs is $23,024,944. The majority of these funds, 82 percent, represent Housing Assistance Payments (HAP) to landlords on behalf of eligible Vallejo families. The HCV Program and sub-programs serve over 2,000 families in Vallejo each year.

HCV Program Fund (#123) and Administration Fund (#121)
HUD provides funding for the HCV Program on a calendar year cycle. Through its funding methodology, the level of funding for the HCV Program fluctuates annually. Housing Authorities are funded separately by HAP and Administrative Fees. HAP funding can only be used for rent or mortgage payments and utility reimbursements in the HCV Program and subprograms for eligible HCV Program households, and escrow payments for FSS Program participants. Administrative fees are revenues that housing authorities receive to fund daily operating expenses of the HCV Program, such as staff salaries and benefits, and office expenses.

The VASH Program provides rental assistance vouchers to homeless veterans along with ongoing support by caseworkers from Veterans Affairs to help them maintain a stable housing environment. The Project-Based Voucher Program is voucher assistance attached to specific housing units located in the city. Housing Authorities can use up to 20 percent of their allocated vouchers for project-based units. The FSS Program helps voucher families obtain employment that will lead to economic independence and self-sufficiency. The Foster Youth to Independence initiative provides subsidies to youth aged 18 to 24 who are transitioning out of or have left the foster care system within 90 days or are homeless or are at risk of becoming homeless at age 16 or older. The HACV partners with other non-profit agencies such as the Workforce Development Board of Solano County, SparkPoint/United Way, the Vallejo City Unified School District, Solano Family and Children's Services, Five Keys Charter School, and other welfare agencies and local resources to develop a comprehensive program which gives participating FSS Program family members and foster youth the skills and experience to enable them to move toward economic independence and self-sufficiency.

<u>Operating Reserve Fund (#122)</u>
The Operating Reserve Fund consisted of unspent administrative funding received from HUD prior to 2004. These are restricted funds and may only be spent on housing-related activities. Administrative funding received after 2004 is further restricted for use only on Housing Choice Voucher Program related activities. Account balances from the Operating Reserve Fund have been transferred into the HCV Program Administration Fund (#121) per HUD guidance.

<u>Housing Development Fund (#124)</u>
The Housing Development Fund is a non-federal and unrestricted fund created by the receipt of profits from the previous sale of a HACV-owned property (Waterstone at Vallejo) and is not associated with HUD housing activities. Revenues are all non-housing related, such as bond fees and rental income for the automated teller machine at the HACV building located at 200 Georgia Street.

<u>Affordable Housing Fund (#126)</u>
The Affordable Housing Fund was created after the dissolution of the Redevelopment Agency. The Housing Authority then became the housing successor agency, assuming the housing function of the former Redevelopment Agency. As such, the Housing Authority is eligible to receive loan repayments and bond administrative fees from developers of affordable housing projects financed by the Low- and Moderate-Income Housing Asset Fund. The HACV has allocated $25,700 for administrative costs.

This item is scheduled for a public hearing, review, and approval by the Board of Directors of the Housing Authority of the City of Vallejo at its regular meeting on June 25, 2024.

FISCAL IMPACT

The total proposed FY 2024-25 Expenditure Budget for the HACV is $23,024,944. Approval of this item accepts the HACV Proposed Budget for FY 2024-25, (July 1, 2024, through June 30, 2025). Funding for the Housing Authority is received entirely from HUD and other income, and therefore does not impact the City of Vallejo's General Fund.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably forseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS

1. Resolution Approving FY 2024-25 HACV Budget

2. FY 2024-25 HACV Budget

CONTACT

Alicia M. Jones, Housing Director, (707) 648-4408, alicia.jones@cityofvallejo.net

Attachment 1

RESOLUTION

WHEREAS, the Housing Authority of the City of Vallejo prepares an annual budget to coincide with the City of Vallejo's fiscal year; and

WHEREAS, the Housing and Community Development Commission of the City of Vallejo has reviewed the Proposed Budget for Fiscal Year 2024-25 consisting of proposed expenditures and estimated revenue.

NOW, THEREFORE, BE IT RESOLVED that the Housing and Community Development Commission hereby recommends approval by the Board of Directors of the Housing Authority of the City of Vallejo of the Proposed Budget for Fiscal Year 2024-25, as set forth in **Exhibit 1** of this Resolution, which is by this reference incorporated herein.

Exhibit 1 to Attachment 1

Other Funds

Housing and Community Development Department

	Housing Authority											
	Section 8											
	Voucher Program Fund #123		Admin Program Fund #121		Operating Reserve Fund #122		Housing Development Fund #124		Affordable Housing Fund #126		Total	
	Adopted FY 23-24	Proposed FY 24-25	Adopted FY 23-24	Proposed FY 24-25	Adopted FY 23-24	Proposed FY 24-25	Adopted FY 23-24	Proposed FY 24-25	Adopted FY 23-24	Proposed FY 24-25	Adopted FY 23-24	Proposed FY 24-25
Beginning Available Fund Balance (a)	$ -	$ -	$ 2,119,979	$ 1,650,352	$ -	$ -	$ 362,406	$ 364,151	$ 1,892,271	$ 368,399	$ 4,374,656	$ 2,382,902
Revenues												
Operating												
Operating Grants and Contributions	21,707,453	21,707,453	2,150,633	2,420,488	-	-	-	-	-	-	23,858,086	24,127,941
Fees and Forfeitures	5,000	5,000	32,500	30,300	-	-	16,600	8,600	-	-	54,100	43,900
Transfer in - Capital Funds	-	-	-	-	-	-	-	-	160,000	189,999	160,000	189,999
	21,712,453	21,712,453	2,183,133	2,450,788	-	-	16,600	8,600	160,000	189,999	24,072,186	24,361,840
Expenditures												
Grant programs	19,886,924	19,661,924	-	-	-	-	-	-	-	-	19,886,924	19,661,924
Administration	-	-	3,138,486	3,443,574	-	-	-	-	25,700	25,700	3,164,186	3,469,274
Interfund Reimbursement - staff costs	-	-	(184,085)	(106,254)	-	-	-	-	-	-	(184,085)	(106,254)
	19,886,924	19,661,924	2,954,401	3,337,320	-	-	-	-	25,700	25,700	22,867,025	23,024,944
Net Annual Activity	1,825,529	2,050,529	(771,268)	(886,532)	-	-	16,600	8,600	134,300	164,299	1,205,161	1,336,896
Ending Available Fund Balance	**$ 1,825,529**	**$ 2,050,529**	**$ 1,348,711**	**$ 763,820**	**$ -**	**$ -**	**$ 379,006**	**$ 372,751**	**$ 2,026,571**	**$ 532,698**	**$ 5,579,817**	**$ 3,719,798**
Project Balances, Including FY 24-25 Appropriations												
Housing Development						$ -		$ -				$ -
Affordable Housing Loans outstanding at June 30, 2023				$ 37,608		$ 881,517				$ 13,299,965		$ 14,219,090

Section 8 Funding:	**June 30, 2024**	**June 30, 2025**
One month average expenditures :		
Voucher Program	$ 19,886,924	$ 19,661,924
Admin Program	2,954,401	3,337,320
Operating reserve	-	-
Total Annual expenditures	22,841,325	22,999,244
Number of months	12	12
Average monthly expenditures	$ 1,903,444	$ 1,916,604
Combined Available Fund		
Balance June 30		
Voucher Program	$ 1,825,529	$ 2,050,529
Admin Program	1,348,711	763,820
Operating Reserve	-	-
	$ 3,174,240	$ 2,814,349

City of VALLEJO California

ACTION CALENDAR 12.B.

DATE: June 6, 2024

TO: Chair and Commissioners
Housing and Community Development Commission

FROM: Alicia M. Jones, Housing Director

SUBJECT: PROPOSED FISCAL YEAR 2024-25 BUDGET AMENDMENT OF THE HOUSING AUTHORITY OF THE CITY OF VALLEJO (HACV) TO FUND THE HACV HOUSING CHOICE VOUCHER LANDLORD INCENTIVE PROGRAM

RECOMMENDATION

Adopt the enclosed Resolution recommending that the Board of Directors of the Housing Authority of the City of Vallejo (HACV) approve the proposed allocation of Housing Choice Voucher Program administrative fees in the amount of $50,000 to support the implementation of the HACV's Housing Choice Voucher (HCV) Landlord Incentive Program. Funding for the incentive program will not exceed $50,000 on a fiscal year basis.

REASONS FOR RECOMMENDATION

Through HUD Notice PIH 2022-18 HUD approved the expansion for eligible "other" use of program administrative fees to enable the Housing Authority Agencies to incentivize landlords. The Housing Authority need to employ strategies and undertake activities beyond the mandatory administrative responsibilities to facilitate the successful leasing and use of housing vouchers by families, through landlord recruitment and retention efforts.

The HACV is allocated 2358 vouchers and currently has a 61 percent utilization rate. The landlord incentive program will support the current and new participants searching for housing the opportunity to successfully secure and lease a unit in the City of Vallejo.

BACKGROUND AND DISCUSSION

Administrative fees are authorized under Section 8(q) of the United States Housing Act of 1937, which provides that the Secretary shall establish fees for the costs of administering tenant-based rental assistance under the HCV program. Section 8(q) set forth the calculation for use in fiscal year 1991, and further provided that for subsequent fiscal years the Secretary would establish the amount of the fee based on changes in wage data or other objectively measurable data that reflects the costs of administering the program as determined by the Secretary. Administrative fees are covered by the HCV program regulations at 24 CFR 982.152.

Prior to PIH Notice 2022-18, HUD had not previously provided guidance on which activities qualify as eligible "other" expenses. PHAs have needed to create opportunities that will result in HCV participants successfully benefiting from the program.

FISCAL IMPACT

Administrative Fees are provided annually according to the number of vouchers under contract at the end of the prior calendar year. The proposed amendments to the FY 2024-25 HACV Budget will increase the Fund 121 expenditures by $50,000.

The Housing Authority and its programs are federally funded and have no direct impact on the General Fund budget.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably forseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS

1. Resolution Approving FY 2024-25 HACV Budget Amendment
2. HUD Notice PIH 2022-18 (HA)

CONTACT

Alicia M. Jones, Housing Director, (707) 648-4408, alicia.jones@cityofvallejo.net

RESOLUTION

WHEREAS, staff is proposing that expenditures be increased by $50,000 to fund the Housing Choice Voucher Landlord Incentive Program of the Housing Authority of Vallejo; and

WHEREAS, the Housing and Community Development Commission of the City of Vallejo has reviewed the Proposed Budget for Fiscal Year 2024-25 consisting of proposed expenditure.

NOW, THEREFORE, BE IT RESOLVED that the Housing and Community Development Commission hereby recommends approval by the Board of Directors of the Housing Authority of the City of Vallejo of the Proposed Budget Amendment for Fiscal Year 2024-25.

Special Attention of:
Directors of HUD Regional and Field Offices of Public Housing;
Agencies that Administer the Housing Choice Voucher Program

Notice PIH 2022-18 (HA)

Issued: June 13, 2022

Expires: This notice remains in effect until amended, superseded, or rescinded.

Cross References: PIH Notice 2021-08
PIH Notice 2015-17

SUBJECT: Use of Housing Choice Voucher (HCV) and Mainstream Voucher Administrative Fees for Other Expenses to Assist Families to Lease Units

1. **Purpose.** This notice provides guidance on the use of HCV and Mainstream voucher ongoing administrative fees for expenses related to assisting HCV and Mainstream Voucher families to lease units, including the costs of security deposit assistance and landlord incentive and retention payments.

   This notice supersedes section 3 of PIH Notice 2015-17 with respect to the description of the restricted use of administrative fees.

2. **Background**. Administrative fees are authorized under Section 8(q) of the United States Housing Act of 1937, which provides that the Secretary shall establish fees for the costs of administering tenant-based rental assistance under the HCV program. Section 8(q) set forth the calculation for use in fiscal year 1991, and further provided that for subsequent fiscal years the Secretary would establish the amount of the fee based on changes in wage data or other objectively measurable data that reflects the costs of administering the program as determined by the Secretary. Administrative fees are covered by the HCV program regulations at 24 CFR 982.152.

   For a number of years Congress has in HUD's appropriations Acts overridden the provisions of Section 8(q). Most recently, the Consolidated Appropriations Act, 2022 (Public Law 117-103, referred to throughout this notice as "the 2022 Act"), enacted on March 15, 2022, provides $2,410,612,000 for both administrative and "other expenses" of public housing agencies (PHAs) in administering the HCV program. The 2022 Act further provides that no less than $2,380,612,000 of the amount provided in the administrative fee paragraph shall be allocated to public housing agencies for the calendar year 2022 funding cycle based on section 8(q) of the Act (and related Appropriation Act provisions) as in effect immediately before the enactment of the Quality Housing and Work

Responsibility Act of 1998 (Public Law 105–276). In addition, if the amounts made available are insufficient, the 2022 Act allows the Secretary to decrease the fees allocated to agencies by a uniform percentage applicable to all agencies.

Prior to this notice, HUD has not previously provided guidance on which activities qualify as eligible "other" expenses. It has become increasingly clear, however, that in some rental markets, PHAs have needed to employ strategies and undertake activities beyond the mandatory administrative responsibilities to facilitate the successful leasing and use of housing vouchers by families, such as through the use of security deposit assistance and landlord recruitment and incentive payments.

Recognizing these challenges, HUD has, consistent with express congressional authorization in various acts, permitted certain funding to be used for other expenses beyond administrative expenses. Specifically, PHAs administering the Emergency Housing Voucher (EHV) program are permitted to use EHV service fees to increase landlord recruitment efforts through landlord incentive payments and to assist families with some of their up-front costs such as security deposits. PHAs were also permitted to use CARES Act (Public Law 116-136) administrative fees and FY 2020 administrative fees (which under the CARES Act operated under the same flexibilities as the CARES Act administrative fees) for landlord incentive payments for their regular HCVs and Mainstream vouchers. PHAs are also permitted to use their Unrestricted Net Position (UNP, commonly referred to as the PHA administrative fee reserve) for these expenses.

Given the number of tight and competitive rental markets around the country, the use of these strategies is increasingly becoming necessary to help families lease units. HUD has therefore revisited its current guidance on the eligible uses of administrative fees to determine if PHAs interested in implementing or expanding such activities could use administrative fee funding to cover these costs. HUD has determined that PHAs may use ongoing administrative fee funding for the activities described in this notice as they qualify as "administrative and other expenses in administering the section 8 tenant-based rental assistance program" under paragraph 3 under the heading "Tenant-Based Rental Assistance" (TBRA) in the 2022 Act. Furthermore, these costs will remain eligible administrative fee expenses in future years provided the appropriations Act language continues to include "other" expenses as an eligible use of administrative fee amounts. Consequently, HUD is providing updated guidance on the eligible use of administrative fees through this notice. If there are substantive changes in future appropriations Acts impacting the eligible uses of administrative fees, HUD will revise this notice.

3. **<u>Eligible Uses of HCV Administrative Fees.</u>** Under the appropriations Act, the eligible uses of HCV administrative fees include both (1) costs incurred by a PHA in carrying out administrative responsibilities under HCV program regulations and (2) other eligible expenses in administering the program which are described in this Notice:

a. **Administrative activities**. These activities include front-line, day-to-day operational activities including but not limited to applicant intake, lease-up activities, income determinations and reexaminations, unit inspections, disbursing HAP to landlords, as well as policy and operational planning and implementation, financial management, and HCV record-keeping and reporting. These activities also include the indirect overhead activities associated with operating the HCV program including but not limited to PHA management, human resources, legal, finance, accounting and payroll, information technology, procurement, and quality control. PHAs that operate using HUD's asset management central office cost center (COCC) are permitted to charge the HCV program to recover its central office costs, and those costs are eligible expenses of HCV administrative fees.

   Administrative activities also include housing search assistance activities such as pre-move counseling, helping a family identify and visit potentially available units during their housing search, helping a family find a unit that meets the household's disability-related needs, providing transportation and directions, and assisting with the completion of rental applications. These activities also include post-lease up activities often related to housing search assistance efforts, such as post-move counseling and landlord/tenant mediation. These activities cover HCV owner recruitment and outreach activities, including the costs associated with materials or webpages specifically geared to owners, as well as landlord liaison staff and associated expenses.

b. **Other eligible activities.** PHAs are responsible for carrying out all their administrative responsibilities under the program. In addition to its typical administrative costs, a PHA may choose to incur other expenses for activities designed to help assist HCV families in leasing units under the program, which while not required by HUD HCV regulations, clearly will assist the PHA in achieving the mission and purpose of the HCV program. A PHA may use its administrative fees to support these other activities, including to recruit and retain owners to participate in the HCV program, should it have the resources available to do so.

   When undertaking these activities, a PHA must first adopt a policy in the PHA administrative plan that governs the terms and conditions of the activity, including any limitations or eligibility criteria for these activities (e.g., to support families leasing units in areas of opportunity, or to support vulnerable populations such as homeless families, etc.). PHAs are reminded that they may not create policies, criteria, or methods of administration that result in discrimination against individuals with protected characteristics under fair housing and civil rights laws and regulations. As such, PHAs need to provide reasonable accommodations when necessary to policies established for these activities to ensure equal access to their programs and activities by individuals with disabilities. In addition, PHAs need to ensure policies, criteria, and the administration thereof, provides meaningful language access for persons with Limited English Proficiency (LEP).

Other eligible expenses related to the leasing of units and recruitment/retention of HCV owners are as follows:

i. **Owner incentive and/or retention payments.** The PHA may make incentive (e.g., signing bonuses) or retention payments to owners that agree to initially lease their unit to an HCV family and/or renew the lease of an HCV family. If a PHA chooses to offer incentive or retention payments, it must adopt a policy that governs when the offer of such payments is appropriate. The PHA may design the owner incentive payments to meet its specific needs (such as limiting the incentive payments to new owners or owners in high opportunity neighborhoods or structuring all or part of the payment as a damages or unpaid rent mitigation fund, where the owner receives the mitigation payment only if the security deposit is insufficient to cover damages and other amounts owed under the lease). The PHA may choose to condition the offer of the owner incentive/retention payment on the owner's agreement to abide by certain terms and conditions. For example, these conditions may include working with the PHA (or intervention services providers partnering with the PHA) should lease violations or other tenant-related issues arise during the assisted tenancy before taking action to evict the tenant.

   Owner incentive/retention payments are typically made as a single payment at the beginning of the lease term (or at lease renewal if a retention payment). However, PHAs may establish the frequency upon when such payments may be made with the exception that owner incentive payments may not be made on an ongoing monthly basis. Owner incentive payments are not housing assistance payments, nor can they effectively serve to supplement ongoing, monthly housing assistance payments. Owner incentive payments are not part of the rent to owner, nor are they taken into consideration when determining whether the rent for the unit is reasonable.

   If the PHA chooses to make incentive payments over time to the owner (rather than a single payment) any agreement or understanding between the PHA and the owner must be separate and apart from the housing assistance payments (HAP) contract, and the HAP contract may not be conditioned or amended to make any reference to that agreement or any future landlord incentive or retention payment.

ii. **Security deposit assistance.** The PHA may provide security deposit assistance for the family. The amount of the security deposit assistance may not exceed the actual security deposit required by the owner or the maximum security deposit allowed under applicable state and/or local law. The PHA may pay the security deposit directly to the owner or may pay the assistance to the family provided the PHA verifies the family paid the security deposit.[1] The PHA may place conditions on the security deposit assistance, such as requiring the owner or family to return the security deposit assistance to the PHA at the end of the family's tenancy (less any amounts retained by the owner in accordance with the lease). Security deposit assistance returned to the PHA remains restricted to HCV administrative fee eligible uses (if returned before the end of the PHA fiscal year in which the administrative fee used to fund the deposit was received) or HCV administrative fee reserve eligible uses, as applicable.

iii. **Utility deposit assistance/utility arrears.** The PHA may provide utility deposit assistance for some or all of the family's utility deposit expenses. Assistance can be provided for deposits (including connection fees) required for the utilities to be supplied by the tenant under the lease. The PHA may choose to pay the utility deposit assistance directly to the utility company or may pay the assistance to the family, provided the PHA verifies the family paid the utility deposit.[2] The PHA may place conditions on the utility deposit assistance, such as requiring the utility supplier or family to return the utility deposit assistance to the PHA at such time the deposit is returned by the utility supplier (less any amounts retained by the utility supplier.) In addition, some families may have large balances with gas, electric, water, sewer, or trash companies prior to admission to the HCV program that will make it difficult if not impossible to establish services for tenant-supplied utilities. The PHA

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[1] If the PHA chooses to provide the security deposit assistance to the family, the family must sign an agreement that the family will use the assistance for the security deposit, and that if any or all of the assistance is not used for a security deposit, it will be returned promptly to the PHA. The agreement must also require the family to acknowledge they have been informed that any amounts not returned to the PHA (including any requirements related to the return of the security deposit assistance at the end of the family's tenancy) are amounts owed to the PHA in connection with the Section 8 program, and consequently would be grounds for denial or termination from the HCV program in accordance with 24 CFR part 982.552(c)(1)(v). The family must sign similar agreements for other actions under this section of the notice if the PHA chooses to make the assistance available to the family (such as utility deposits). Failure to repay such amounts would be grounds for denial or termination of assistance, but it would be at the PHA's discretion as to take such action, and the family would have the right to an opportunity for an informal hearing (for a termination action) or informal review (for a denial of admission) in accordance with 24 CFR 982.554 or 982.555, as applicable.

[2] If the PHA chooses to provide the utility deposit assistance directly to the family, the family must sign an agreement, as discussed in footnote #1.

may also provide the family with assistance to help address these utility arrears to facilitate leasing and their admission to the HCV program.

Utility deposit assistance that is returned to the PHA remains restricted to HCV administrative fee eligible uses (if returned before the end of the PHA fiscal year in which the administrative fee used to fund the deposit was received) or HCV administrative fee reserve eligible uses, as applicable.

iv. **Application fees/non-refundable administrative or processing fees[3]/refundable application deposit assistance/broker fees.** The PHA may choose to assist the family with some or all of these expenses and may limit the amount of assistance provided for each individual expense.

v. **Holding fees**. In some markets, it is not uncommon for an owner to request a holding fee that is rolled into the security deposit after an application is accepted but before a lease is signed. The PHA may cover part or all of the holding fee for units where the fee is required by the owner after a tenant's application has been accepted but before the lease signing. The PHA and owner must agree how the holding fee gets rolled into the deposit and under what conditions the fee will be returned. Furthermore, owners need to accept responsibility for making needed repairs to a unit required by the initial housing quality standards (HQS) inspection and can only keep the holding fee if the family is at fault for not entering into the lease.

vi. **Renter's insurance if required by the lease.** The PHA may assist the family with some or all of the cost of renter's insurance but only in cases where the purchase of renter's insurance is a condition of the lease and is also required of unassisted families on the premises. PHAs need to exercise caution with respect to the frequency of when the renter's insurance assistance payments are made when such assistance is provided directly to the family.[4] For example, providing such assistance on a regular, recurring basis (such as on a monthly basis) to the family would impact the family's income calculation.

Funds in the PHA administrative fee reserve may also be used for any of the above activities. In addition, the PHA may use outside sources of funds to cover these activities provided that these activities are eligible uses of those funds. Outside sources

[3] In some markets, non-refundable administrative fees are becoming more common as states pass laws limiting application fees, or as an alternative to refundable deposits.

[4] If the PHA chooses to provide the renter's insurance assistance directly to the family, the family must sign an agreement, as discussed in footnote #1.

of funds would include non-restricted Federal funds, eligible State or local funds, and donations from philanthropic parties. For PHAs participating in the Moving-to-Work (MTW) program, fungible Public Housing Operating and Capital funds are also acceptable sources of funds for these activities (in accordance with MTW program requirements). Except for MTW PHAs, HCV housing assistance payments (HAP) funding may not be used to pay for these activities.

4. **Mainstream Voucher Administrative Fees – Other Expenses.** Paragraph (4) under the TBRA heading in the 2022 Act, which provides HAP and administrative fee funding for Mainstream vouchers, also makes reference to "other" expenses. Specifically, paragraph (4) provides that "administrative and other expenses of public housing agencies in administering the special purpose vouchers shall be funded under the same terms and be subject to the same pro rata reduction as the percent decrease for administrative and other expenses to public housing agencies under paragraph (3) of this section…" Consequently, PHAs are also authorized to use Mainstream administrative fees for the other eligible activities listed in section 3.b of this notice to assist Mainstream voucher families to lease units. Mainstream administrative fees may only be used for Mainstream vouchers. PHAs may not use Mainstream administrative fees to cover administrative expenses or other expenses of the PHA in administering regular vouchers or other special purpose vouchers. Likewise, PHAs may not use regular HCV administrative fees to cover Mainstream voucher administrative expenses or other expenses of the PHA in administering Mainstream vouchers. As is the case for regular HCV HAP funding, Mainstream HAP funding may not be used to pay for any of these other activities.

5. **Reporting Other Expenses in the Voucher Management System (VMS) and Financial Assessment Subsystem for Public Housing (FASS-PH)/Financial Data Schedule (FDS).**

    a. **VMS reporting.** The new authorized expenses listed in this notice that are incurred by the PHA each month and paid with ongoing administrative fees are reported as part of the total expenses in the VMS "Administrative Expense" field. There is no separate field currently for reporting these other expenses.

    b. **FDS reporting.** In general, the new authorized expenses listed in this notice are reported on FDS Line 92400 Tenant services – other. However, with respect to the fees used for deposits, a PHA may account for these deposits in different ways: as an expense to a balance sheet only transaction, or with the cash outlay for the deposits treated as an accounts receivable and allowance for doubtful accounts being established. The accounting treatment is typically based on the PHA's and its auditor's interpretation of Generally Accepted Accounting Principles (GAAP) for these deposit transactions and individual state law, with only limited deposits ever coming back to the PHA. Therefore, HUD will not require any specific FDS reporting for ongoing administrative fees used for deposits as long as the accounting and reporting conforms to GAAP.

For information on financial reporting requirements for HCVs and Mainstream vouchers that are submitted through FASS-PH and VMS, please see PIH Notice 2021-08**.**

6. **Paperwork Reduction Act.** The information collection requirements contained in this Notice have been approved by the Office of Management and Budget (OMB) in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. §§ 3501-3520) and have been assigned the following OMB control numbers - Voucher Management System: 2577-0169; Financial Assessment Subsystem: 2535- 0107. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid control number.

7. **Further Information.** Questions concerning this notice should be submitted by email to the following Office of Housing Voucher Programs mailbox: HCVUtilization@hud.gov.

_____________/s/_____________________
Dominique Blom
General Deputy Assistant Secretary for
Public and Indian Housing