

MINUTES OF THE SPECIAL MEETING
BOARD OF COMMISSIONERS
HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA
HELD WEDNESDAY, MAY 10, 2006

The Oakland Housing Authority Board of Commissioners convened a Special Meeting /Work Session at 1619 Harrison Street, Oakland, California on the above date. Chair Moses L. Mayne, Jr. called the meeting to order at 6:09 p.m.

I. Roll Call

Commissioners present were Joe L. Brown, Alfred Lee, Robert J. Pittman, Jr., Ramon J. Terrazas and Chair Moses L. Mayne, Jr. Commissioner Jacqueline Taylor was excused.

II. Report from the Legal Counsel regarding final decisions made during Closed Session at the last meeting on April 24, 2006.

Ms. Jennifer Bell, Legal Counsel, reported that there were no final decisions made during the closed session of April 24, 2006.

III. Modifications to the Agenda

There were none.

IV. New Business

A. Briefing on Proposed Changes under MTW to the Section 8 Administrative Plan Concerning the Calculation of Project-based Voucher Rents in Tax Credit properties.

Mr. Gresley said the Authority has been operating under a new HUD rule that relates to Section 8 rents in tax credit properties. The rule is important in the financing of some of the tax credit properties including Mandela Gateway. HUD recently changed the rule, and there have been discussions concerning whether or not the rule is consistent with congressional intent. Mr. Gresley said this is an area where the Authority has some autonomy under MTW. Mr. Gresley called upon Mr. Joseph Villarreal, Deputy Executive Director for Program Administration, to describe a proposed policy.

Mr. Villarreal noted that HUD very recently changed the rule for project-based

vouchers by capping the rent allowed in tax credit properties. However, the new rule still allows housing authorities to approve market-rate rents for tenant-based Section 8 vouchers. He said the main issue in Oakland was, in most cases, that market rents were higher than tax credit rents.

Discussion ensued. Commissioner Pittman first asked about the public relations implications. Mr. Villarreal said that in terms of public relations, the change from HUD is a bad thing. Mr. Villarreal pointed out that higher rents can be paid with the other 10,000+ tenant-based vouchers. Chair Mayne asked how the renters will be affected. He asked if there is an opportunity for landlords to take advantage of the policy change. Mr. Villarreal said no. He said that the Section 8 program has a formula that is used that exactly shows what is going to be paid by renters and the Authority, and what is affordable. Market rents are going to go up or down regardless of the policy. Chair Mayne asked whether the Section 8 vouchers are leased for a year or on a month-to-month basis. Mr. Villarreal said that when they first go into a contract, it is normally a year. After that, unless they sign up for a different term, it is on a month-to-month basis.

Discussion continued. Chair Mayne asked if the Authority is exempt from the rent structure of the City. Mr. Villarreal said yes. Commissioner Lee asked if “Just Cause” is much stronger than the rent control laws that we have. Mr. Villarreal said that it applies to the Authority while rent control does not. Ms. Jennifer Bell, Legal Counsel, added that Just Cause is more of a procedure in the City of Oakland that we have to follow. Commissioner Lee asked what is really affected. Mr. Villarreal said the change would affect project-based voucher units where there are low-income housing tax credits. Mr. Gresley noted that it would affect us in any future commitment to tax credit deals seeking project-based vouchers. He said that project-based vouchers are used by developers to generate financing. Mr. Gresley said that by allowing market rate rents, Section 8 rents can underwrite a greater portion of debt and allows developers to build units they may not otherwise. Mr. Lee asked what the consequences would be for clients. Mr. Villarreal said that the advantage of having a project-based voucher unit is that the number of project-based voucher units the developers asked for was guaranteed slots for our families.

Commissioner Lee asked who would do the screening. Mr. Villarreal said the developers would do the normal screening. Commissioner Lee asked what the process would be if he were a Section 8 tenant. Mr. Villarreal provided an example. For example, Mandela has an opening. They are going to look at their list and start talking to people on their list. At the same time, they are going to advertise with us. They will be advertising and doing outreach to our regular clients, not only on the site-based waitlist. Commissioner Lee asked

how many project-based vouchers we have. Mr. Villarreal said right now there are less than 100 units committed.

Commissioner Terrazas asked who saves money and who pays more, once the calculations are put in place. Is it a cost-saving rule? Mr. Villarreal said, for us, the Board has authorized us to do 500 maximum project-based vouchers out of 11,000, so the impact is not currently great overall. Mr. Gresley clarified that HUD allows us to go to 20 percent. With MTW, we might even go higher. In terms of the cost, if we follow the current HUD rule, it just means we would not be making any of these commitments. People might still come in and end up in those same properties using their vouchers. If they end up in the same properties, then it is going to cost the same, but if they end up somewhere else, it might be more or might be less. Mr. Gresley believes that this may be more costly at first; however these properties might not rise in the market over the long term the way the private market might raise. He said that in the long run, they may actually save money.

Commissioner Lee said that calculation is very important. He said it would be helpful for staff to give the Commissioners some actual numbers and what projects are involved. Mr. Villarreal said they could give the Commissioners a list of what have been submitted. Commissioner Lee commented that the more data they get, the more they understand. Mr. Gresley clarified that this has no applicability to properties that have already been approved. He said that this is extending a policy that they have used in the past. Commissioner Pittman asked that staff provide more data when it comes back on May 22nd. Commissioner Lee would like to attract owners who have better properties in order to get the best units for our clients.

B. Briefing and discussion of Policy options for setting rent and term limits in the Public Housing and Section 8 Programs and other policy areas in Section 8 under Making Transitions Work (MTW).

Mr. Gresley said he would like to treat this as a survey of possibilities. He said the main issue he would like to consider is why we would change something, what the problem is, what the solution is, and what the goals are. With regard to rent, Mr. Gresley explained the background of the Brooke Amendment. He said that the way rent was calculated originally was not nearly as complicated as it is now. He said that the rent calculation now is really complex and it is easy to make mistakes. There is inconsistency in the way people are treated. Mr. Gresley said it is also time-consuming. He said the third problem is that it must be done right; otherwise, the federal government might impose sanctions. Mr. Gresley said that the main problem that needs to be addressed is complexity.

Mr. Gresley then talked about another issue, revenue. He noted that Brooke rents really hold rent costs down. He said that because we are MTW, we are experiencing the benefits from year to year. He said at this time it is hard to argue that we need higher rent because the Authority is doing better over the last couple of years. He said, however, that it may change in the years to come. If the market tightens up and Section 8 rents skyrocket, we have a commitment to house the same number of people. We may need to change the rent structure, particularly in Section 8 in order to keep up with the market. Mr. Gresley indicated that if we were not MTW, we would need higher revenue. He pointed out that the other area the Board would consider policy on is whether or not changing the rent structure might in some way incentivize people to better their own situations. Mr. Gresley said that from staffs' perspective, they would like to change the rent structure in order to simplify it. He mentioned that the Brooke Amendment started at 25 percent as the client's share, and when the federal government was looking for a way to reduce subsidy for the housing authorities, they figured a way to flatten the money for a while. He said the federal government had the housing authorities go from 25 percent to 30 percent over a five-year period. He said they are now at 30 percent.

Mr. Gresley discussed Utility Allowances. He explained the formula for calculating rent. He asked Mr. Villarreal and Ms. Cossey to give some examples of exclusions. Mr. Villarreal first talked about Excluded Income. He said that the process of calculating income includes looking at the assets, wages, etc. He gave examples of income sources that would be excluded, currently. Displaying a Section 8 training manual, he noted that Chapter 3 – Determining Income and Allowances, is very large and complicated. Ms. Cossey added that what complicates it further is that some of the income is required to be reported to HUD and then is excluded. Chair Mayne asked what the subsidy would be in a hypothetical situation. Mr. Villarreal and Ms. Cossey provided a response and explanation. Ms. Cossey said there are some situations where tenants are not paying rent, or where the Authority actually reimburses the family for utility expenses. She continued that when families have additional foster children, they qualify for larger subsidies in Section 8, or qualify for more bedrooms in public housing.

Chair Mayne asked that if a person is interested in a 4-bedroom unit and they want to expand their family, are they granted that. Mr. Gresley said staff would wait until the child is ready to join the household before staff would grant it. He said staff would not do it speculatively. Chair Mayne said if they have 6 or 7 children in a 3-bedroom unit, are they eligible for a 4-bedroom unit. Mr. Gresley said yes, but they might go on a waitlist and not get it right away, as the Authority cannot accommodate all those requests immediately. Mr. Villarreal added that in Section 8, the subsidy would go up automatically. Mr. Gresley

indicated he was hoping for the Commissioners to listen to various options and decide which ones they are interested in. He asked the Commissioners to give staff some direction on what their goal would be and what information they would like. Mr. Gresley would like to study those given by the Commissioners and present them back to the Board. He said that the time period might be a couple of months.

Mr. Gresley then brought up deductions. He said that deductions are not exclusions. He indicated that the Commission may want to adopt policies that only affect families that have no elderly or disabled members. He said staff would probably recommend treating a family with disabled or elderly adults differently from other families. Commissioner Pittman asked if staff is aware and working on PIH Notice 2006-13, which was published by HUD on 3/8/06 on Accessibility Funding Sources for ADA compliance and elderly and the disabled. (Mr. Pittman handed it to the Executive Director.)

Mr. Gresley discussed Minimum Payment. He said that if you are in a unit and pay your own utilities and your utility allowance is \$50 and minimum rent is \$25, the Housing Authority will write you a check every month for \$25. Mr. Gresley said that under Hardship Policy, they have a provision in their Minimum Rent Policy now that if a family contends that they have such hardship and can't afford the minimum rent, they can apply to the Housing Authority for hardship consideration. The Housing Authority can consider that and may in fact waive the minimum rent.

Mr. Gresley then discussed Tax Credit style rent providing some examples. Mr. Gresley said that Tax Credit rent is based on an IRS schedule. Commissioner Terrazas asked if two people could be living side by side, paying two different rents. Mr. Gresley said they could, provided they are in different income bands. Mr. Neville added that it is not infinitely variable as it is in Section 8 or public housing where we calculate right to the precise dollar. He said, here you would pay the rent that is within that particular range. So, it is less variable.

Commissioner Lee asked how it is going to affect the calculation of the drugs for people in the community who pay more for drugs. Ms. Cossey said they give a deduction from prescription expenses in excess of three percent of their gross income. Commissioner Lee said he would like to support a simple system that is fair for everybody. Commissioner Terrazas asked that if they adopt a simple structure, is it staffs' expectation that the Authority will realize savings in terms of salaries in determining eligibility. Mr. Gresley said yes, that we ought to realize reduced costs in doing the re-examination. He said that if we simplify things, we save even more and might be in a position to shift some of the staff to pay more attention to property conditions, both in Section 8 and

public housing. Mr. Gresley would like the Board to consider taking a portion of the increased revenue and invest it in case management staff who would work with our clients to help them gain the skill, training, access, so that they have a better chance of increasing their income. Commissioner Terrazas said that if the Authority realized savings by a new structure, maybe some of those savings and resources could be diverted towards enhancing some programs that would allow people to graduate.

Mr. Gresley discussed the concept of property-based rent. He said that if you go into the market, you are going to pay different rent, depending on the property. As an example, he said that if the Authority completed a modernized site, we might want to charge a different rent. If we have a rent structure, like a flat rent structure, we might want to customize flat rent. In an area where the private market rents are higher, maybe we ought to ask a little higher rent. Mr. Gresley introduced Flat rent, Flat subsidy, HOPE VI property rent, and Fixed Term limits. For Flat rent, the amount charged is the same. Flat subsidy has a similar kind of concept but applies to Section 8. HOPE VI property rent is another example of property-based rent. Chair Mayne asked what it would mean if MTW is not renewed. Mr. Gresley first said that he does not know of anyone who has ended their MTW contract and not had it extended. He said that what he had heard was that at the end of MTW there would be a one-year transition. Commissioner Pittman asked if the one-year transition was based on evidence. Mr. Gresley said he was not aware of anybody doing it.

Mr. Gresley continued his discussion and talked about Fixed Term limits. He said that in the public housing, having to leave after five or seven years would be problematic. Mr. Gresley noted that under the California law, when you move somebody in and they are there for more than 28 days, they become a tenant. He believes they could not have Fixed Term limits at least in public housing. Mr. Gresley said, however, that it could be done in Section 8, but it may be a marketing problem for landlords. Commissioner Terrazas commented that if we identify good tenants, maybe we could help them get off Section 8 through incentives or case management.

Mr. Gresley discussed Incremental change in rent from Brooke to \$0 subsidy. He explained the idea that if we come up with a rent structure, just like Brooke, and could be any of these different combinations, that should be the rent for the first year. The target is, at the end of their term, whether 5 years or 7 years. Each year you move one step closer to that rent. At the end you are off subsidy. In the public housing it could be a non-subsidized rent. This might be doable for many people. Mr. Gresley talked about Family Self-Sufficiency (FSS). He explained how FSS works in Section 8. A family sets a goal and as their income goes up from gainful employment, their payment goes up. This increase

is set aside and put into an escrow account, and it is their money they can get if they meet their goals. FSS also works similarly in public housing.

Commissioner Pittman asked if it would be legal to essentially mandate a savings plan. Ms. Bell said the tenants get the money at some later time if they meet their goal. Mr. Gresley said it becomes an incentive. It is not theirs until they earn it. Commissioner Pittman was concerned whether we face a legal problem in the courts by mandating those dollars to come back to the tenants. Ms. Bell clarified that what Mr. Gresley was saying was that if the tenant's income goes up, say by \$100, the rent goes up by \$30. That \$30 which goes to the Authority in the form of an increased rent would be put aside by the Authority and would be given back to the tenant later.

Mr. Gresley asked the Commissioners where their interests were.

Commissioner Lee expressed interest in keeping it simple and bringing more revenue into the Agency. Mr. Gresley asked if the Commissioners would like to see a stratified structure or if they would like to see that everybody starts where they can afford but they all have to get to this level. He asked the Commissioners if they agree with the concept of bifurcating the elderly/disabled from the rest. Chair Mayne said that the simplest way was the Flat rent. He likes the idea of keeping it simple. He also said mixing rent ranges with term limits was worth considering. Commissioner Pittman listed areas for consideration: the Property-based rent and the HOPE VI property rent; Incremental change in rent and the Family Self-Sufficiency; and Hardship Policy. Commissioner Terrazas proposed Incremental change in rent, Fixed Term limit, and on the Section 8 gradual decrease in subsidy, coupled with self sufficiency. Commissioner Lee asked if staff is going to come back in two sessions or come back with a big package. Mr. Gresley said staff would come back with a package at a work session. Commissioner Terrazas asked if staff was advocating to increase the rents as a result of the new schedule. Mr. Gresley said that any of the incremental approaches will result in more rent.

Mr. Gresley provided explanations on the last two considerations: the extended term of retention of participants with \$0 subsidy; and the expanded pool of potential Homeownership participants. A brief discussion followed.

C. Consideration and Approval of Commissioner travel to the National Association of Housing and Redevelopment Officials (NAHRO) summer conference in Denver.

Commissioner Pittman said that the Authority won two awards at the NAHRO conference in Los Angeles. He said he was named to chair the Commissioners'

track for the fall conference in Tucson, Arizona for the Pacific Southwest conference. Commissioner Pittman would like to put out a press release for a picture of the award with one or two Commissioners along with Mr. Gresley and send it out to the media to see if they can start picking up some good press. He said he would like to do it in a timely fashion and would wait until May 22nd. Ms. Bell said that the Board does not have to take any action. Commissioner Pittman said the suggestion is that the Commission starts doing this once a month. This would be from the Commission to the public what we were learning in Board sessions. He said that the newspapers tend to want to hear more. Commissioner Pittman proposed that he work with Chair Mayne and whoever he picks and Mr. Gresley to try to put a story into the press. Chair Mayne said that Commissioner Pittman was asking whether that was legal. Commissioner Pittman asked if he could bring it up. Ms. Bell said he could bring it up because it is something that the Commission doesn't have to vote on.

Mr. Gresley said that the NAHRO summer conference will be in Denver, Colorado from July 13th to July 16th. The committee meeting will start in the morning of July 13th. Mr. Gresley asked the Commissioners if they would like to attend the conference. Commissioner Pittman would like to go and is going a day early for the committee meeting and stay a day later. Chair Mayne and Commissioner Brown are also going. Commissioner Lee's asked that his attendance to the summer conference in Denver be optional.

Commissioner Pittman moved approval for the Commissioners to attend the summer conference in Denver, Colorado. Commissioner Terrazas seconded and the Board voted unanimous approval.

Mr. Pittman also indicated that he would like to attend the conference in the State of Arizona on July 19 and 20, 2006. He said the State of Arizona is a member of the Pacific Southwest conference. Mr. Pittman said that the members would like him to go for the two-day State conference to meet all of the members in Arizona. Chair Mayne asked Legal Counsel Bell if it is legal for them to approve it since it is not part of their jurisdiction. Ms. Bell said it is not illegal and would not be a problem for the Board to approve it. Mr. Gresley commented that if another chapter in which the Board is not a member is specifically inviting a commissioner to attend their conference, they ought to waive their registration fee. Commissioner Pittman said they did not waive the fee. Commissioner Lee asked if the Authority is paying for the airfare, hotel and per diem. Commissioner Pittman said yes.

Commissioner Lee indicated he would move to approve the request, but Commissioner Pittman declined.

V. Recognition of people wishing to address the Commission.

There were no speakers.

VI. Executive Director's Report

Mr. Gresley asked the Commissioners if they received the invitation for the Lion Creek Crossings grand opening of Phase 1 on Wednesday, May 17, 2006 at 11:30 a.m. at 69th Street, Oakland. Mr. Gresley invited the Commissioners to attend the grand opening.

Mr. Gresley said the CAHI meeting is on Monday, May 22, 2006, at 4:00 p.m. in the Executive conference room, 2nd floor at 1619 Harrison Street, Oakland.

Mr. Gresley showed an award from the Insurance Group. He also said he received a letter today that the Authority received four awards and to be presented in Denver. He informed the Board that he would comment in a press release that the Authority was notified of these awards and that these awards would be presented in Denver.

VII. Adjournment to a Closed Session.

The meeting was adjourned at 8:49 pm. to a closed session.

Closed Session

The Oakland Housing Authority Board of Commissioners convened in Closed Session at 1619 Harrison Street, Oakland, California on the above date. Chair Moses L. Mayne, Jr. presided and called the meeting to order at 8:55 p.m. regarding the following:

- Conference with its real estate negotiators regarding acquisition of real property pursuant to California Government Code §54956.8.

Attendance

Commissioners present were Joe L. Brown, Alfred Lee., Robert J. Pittman, Jr., Ramon J. Terrazas, and Chair Moses L. Mayne, Jr. Commissioner Taylor was excused.

The Closed Session was adjourned at 9:40 p.m.

Chair

Secretary