



INVESTING IN COMMUNITIES

NOTICE OF REGULAR MEETING
**Sacramento Housing and Redevelopment
Commission**

Wednesday, August 6, 2014 – 6:00 pm
801 12th Street Sacramento, CA

ROLL CALL

APPROVAL OF AGENDA

APPROVAL OF MINUTES

1. Minutes – June 18, 2014 – rescind former approval and re-approve with proposed amendment
2. Minutes – July 9, 2014

CITIZENS COMMENTS

3. While the Commission welcomes and encourages participation in the Commission meetings, it would be appreciated if you would limit your comments to three minutes so that everyone may be heard. Please fill out a speaker card and present it to the Agency Clerk if you wish to speak under Citizen Comments or on a posted agenda item. Matters under the jurisdiction of the Commission, and not on the posted agenda, may be addressed by the general public at this time. Commission attendees are requested to silence any electronic devices that they have in their possession.

INFORMATIONAL ITEM

4. Marshall Hotel Update – final report

PUBLIC HEARING

5. 2014 Public Housing Agency Annual Plan Amendment to include a Flat Rent Policy for the Housing Authority of the City of Sacramento and the Housing Authority of the County of Sacramento

WORKSHOP/INFORMATIONAL ITEMS

6. 2013 SHRA Budget Workshop – General Overview
7. Review/Discussion of Housing Partnership document

EXECUTIVE DIRECTOR REPORT

COMMISSION CHAIR REPORT

ITEMS AND QUESTIONS OF COMMISSION MEMBERS

ADJOURNMENT

Staff reports are available for public review on the Agency's website www.shra.org and include all attachments and exhibits. Hard copies are available at the Agency Clerk's office (801 12th Street) for 10 cents per page. A copy of materials for this agenda will be available at the meeting for public review. **Assistance for the Disabled:** Meeting facilities are accessible to persons with disabilities. If you require special assistance to participate in the meeting, notify the Agency Clerk at (916) 440-1363 at least 48 hours prior to the meeting.



MINUTES

**Sacramento Housing and Redevelopment Commission (SHRC)
Regular Meeting
June 18, 2014**

Meeting noticed on June 13, 2014

ROLL CALL

The Sacramento Housing and Redevelopment Commission meeting was called to order at 6:00 p.m. by Chair Michael Alcalay. A quorum of members was present.

MEMBERS PRESENT: Alcalay, Chan, Creswell, Johnson, LeDuc, Macedo, Morton, Raab

MEMBERS ABSENT: Griffin, Morgan, Stivers

STAFF PRESENT: Cindy Parker, La Shelle Dozier, Don Cavier, Tia Patterson, Angela Jones, Christine Weichert, Tyrone Williams, Sarah Thomas, Geoffrey Ross, David Levin, Kyle Flood, Celia Yniguez, Angela Hall

APPROVAL OF AGENDA The Agenda was approved **as** submitted. The Chair announced that Item 5 would be a bus tour of downtown and north area Agency projects.

APPROVAL OF MINUTES

June 4, 2014 minutes were approved unanimously **as** submitted. Commissioner LeDuc abstained from voting on this item.

CITIZENS COMMENTS

None

STAFF REPORTS

3. **Assignment and Assumption Agreement: Brownfields Revolving Loan Program**

Susan Perry presented the item.

The Commission recommended approval for the items listed above. The votes were as follows

AYES: Alcalay, Chan, Creswell, Griffin, LeDuc, Morgan, Morton, Raab, Stivers

NOES: none

ABSENT: Johnson, Macedo

4. Sacramento Housing and Redevelopment Agency (SHRA) Conflict of Interest Code Amendment – City report
5. Sacramento Housing and Redevelopment Agency (SHRA) Conflict of Interest Code Amendment – County report

Vickie Smith presented the item.

Staff indicated that the Code of Ethics policy had been revised to remove the reference to “friends”.

Staff also indicated that the County of Sacramento, as the SHRA code reviewing body, would be the final approving body for the SHRA Conflict of Interest code.

Commissioner Alcalay requested that an overview of the Brown Act be presented at a future meeting.

Commissioner Griffin suggested that employees avoid conflicts with friends when possible as a best practice.

The Commission recommended approval for the items listed above. The votes were as follows

AYES: Alcalay, Chan, Creswell, Griffin, LeDuc, Morgan, Morton, Raab, Stivers

NOES: None

ABSENT: Johnson, Macedo

6. Sacramento Housing and Redevelopment Agency Comprehensive Annual Financial Report For The Year Ended December 31, 2013 – City report
7. Sacramento Housing and Redevelopment Agency Comprehensive Annual Financial Report For The Year Ended December 31, 2013 – County report

Don Cavier presented the item.

No vote required for this item.

8. Approval of Tax-Exempt Bonds for Sierra Vista Apartments – City report

Christine Weichert presented the item.

Commissioner LeDuc stated that she disagreed with the \$2.5 million developer fee proposed for the project.

The Commission recommended approval for the items listed above. The votes were as follows

AYES: Alcalay, Chan, Creswell, Griffin, LeDuc, Morgan, Morton, Raab, Stivers

NOES: none

ABSENT: Johnson, Macedo

WORKSHOP/INFORMATIONAL ITEMS

9. Marshall Hotel update

Christine Weichert presented the item.

EXECUTIVE DIRECTOR REPORT

Don Cavier announced the following:

- July 2nd meeting is cancelled.
- Next meeting/tour will be July 9th

COMMISSION CHAIR REPORT

Chair Alcalay announced the following:

- Announced that the Board of supervisors reviewed a report related to the allocation of Boomerang funds today at the board meeting.
- Requested that commissioners be notified about articles in the media.

ITEMS AND QUESTIONS OF COMMISSION MEMBERS

none.

ADJOURNMENT

As there was no further business to be conducted, Chair Alcalay adjourned the meeting at 7:00 p.m.

AGENCY CLERK



MINUTES

Sacramento Housing and Redevelopment Commission (SHRC)

Special Meeting/Tour

July 9, 2014 – 5:30pm

Meeting noticed on July 3, 2014

ROLL CALL

The Sacramento Housing and Redevelopment Commission meeting was called to order at 6:00 p.m. by Chair Michael Alcalay. A quorum of members was present.

MEMBERS PRESENT: Alcalay, Chan, Creswell, Johnson, LeDuc, Macedo, Morton, Raab

MEMBERS ABSENT: Griffin, Morgan, Stivers

STAFF PRESENT: Cindy Parker, La Shelle Dozier, Don Cavier, Tia Patterson, Angela Jones, Christine Weichert, Tyrone Williams, Sarah Thomas, Geoffrey Ross, David Levin, Kyle Flood, Celia Yniguez, Angela Hall

APPROVAL OF AGENDA The Agenda was approved as submitted. The Chair announced that Item 5 would be a bus tour of downtown and north area Agency projects.

APPROVAL OF MINUTES

July 9, 2014 minutes were approved unanimously with the following amendment added per the Agency's General Counsel "Final approval of the SHRA Conflict of Interest code will be on July 15th at the Board of Supervisors meeting as the County of Sacramento is the official code reviewing body for the SHRA Conflict of Interest Code".

CITIZENS COMMENTS

None

STAFF REPORTS

3. Sierra Vista Apartments Project: Tax Equity and Financial Responsibility Act Hearing (TEFRA) Hearing and Community Development Block Grant (CDBG) 2014 One-Year Action Plan Amendment

Christine Weichert, Assistant Director, Housing Finance presented the item.

The Commission recommended approval of the item listed above. The votes were as follows

AYES: Alcalay, Chan, Creswell, Johnson, Macedo, Morton, Raab,

NOES: None

ABSENT: Griffin, Morgan, Stivers

NOT PRESENT TO VOTE: Leduc

WORKSHOP/INFORMATIONAL ITEMS

4. Marshall Hotel Update

Christine Weichert presented the update

5. Bus Tour of Downtown Sacramento and North Sacramento SHRA Projects and Properties

EXECUTIVE DIRECTOR REPORT

La Shelle Dozier announced the following:

- Tia Patterson's resignation as SHRA General Council. She will be taking the position of Executive Director of California Housing Finance Agency.
- Arbor Creek Groundbreaking – August 4th and 10:30am
- Next meeting will be August 6th

COMMISSION CHAIR REPORT

Chair Alcalay acknowledged Tia Patterson's good work for SHRA

ITEMS AND QUESTIONS OF COMMISSION MEMBERS

None.

SHRC Minutes
July 9, 2014

ADJOURNMENT

As there was no further business to be conducted and the bus tour was completed, Chair Alcalay adjourned the meeting at 8:00 p.m.

AGENCY CLERK



August 6, 2014

Sacramento Housing and Redevelopment Commission
Sacramento, California

Honorable Members in Session:

SUBJECT 2014 Public Housing Agency Annual Plan Amendment to include a Flat Rent Policy for the Housing Authority of the City of Sacramento and the Housing Authority of the County of Sacramento

RECOMMENDATION

Staff recommends adoption of the attached resolution which:

- 1) certifies that the required public hearing has been held and comments received,
- 2) amends the 2014 Public Housing Agency (PHA) Annual Plan Flat Rent Amendment,
- 3) authorizes the submittal of the 2014 PHA Annual Plan Amendment to the U.S. Department of Housing and Urban Development (HUD),
- 4) amends the Public Housing Admissions and Continued Occupancy Policy (ACOP)'s Flat Rent Policy
- 5) certifies that the plan is consistent with the Consolidated Plan pursuant to the Code of Federal Regulations (CFR) 24 CFR 903.15, and
- 6) authorizes the Executive Director to execute all necessary documents for the submission and certification of compliance of the 2014 PHA Annual Plan as required by HUD and to comply with the Quality Housing and Work Responsibility Act of 1998.

CONTACT PERSONS

Monique L. Pierre, Management Analyst, 916-449-6212;
MaryLiz Paulson, Assistant Director, Public Housing, 916-449-6302

SUMMARY

This report recommends the approval of the 2014 PHA Annual Plan (Plan) Amendment to include a flat rent policy and its attachments for the Housing Authorities of the City and County of Sacramento (collectively "Housing Authority").

The Amendment consists of:

- the Housing Authority PHA Annual Plan, (see Exhibit A); and
- the Public Housing Admissions and Continued Occupancy Policy (ACOP) with one significant change (see Exhibit B).

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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These documents provide a guide to the Housing Authority's policies for the public housing program including operations and strategies for meeting local housing needs and goals consistent with the overall goal to improve efficiencies and service to residents. A public hearing on the proposed plan is to be held on August 6, 2014 and comments from that hearing will be incorporated into the final document as necessary.

BACKGROUND

Previously, HUD defined flat rents as the rental amounts based on the market rent charged for comparable units in the private unassisted rental market. Flat rent was equal to the estimated rent for which the PHA could promptly lease the unit. It was calculated by an evaluation of the rents of comparable units with similar amenities, unit size and location.

Public Law 113 – 76, *The Fiscal Year 2014 Appropriations Act* changed how Housing Authorities are to calculate the flat rent amount. HUD issued Notice 2014-12 (Exhibit C) which establishes new parameters that PHAs must use when determining flat rents and the process to amend the Authority's governing documents: the PHA's Annual PHA Plan and the Public Housing Admissions and Continued Occupancy Policy (ACOP). The Housing Authority must now set the flat rental amount for each public housing unit at no less than 80 percent (80%) of the applicable Fair Market Rent (FMR), adjusted to include the utility allowance.

This action establishes the new flat rent to be at 80% of the Fair Market Rent or the comparable rent for each unit, whichever is higher, and then adjusted for utilities, in accordance with the new law. This flat rent amount will apply to all new program admissions effective September 1, 2014. Program participants currently paying the flat rent amount will have the option to pay the newly calculated flat rent amount or an income-based rental amount at their next annual recertification beginning January 1, 2015.

The Housing Authority will place a cap on any increase in a family's rental payment that exceeds 35 percent (35%), and is a result of changes to the flat rent amount as follows:

- Multiply the existing flat rent payment by 1.35 and compare that to the updated flat rent amount;
- The PHA will present two rent options to the family as follows and they can choose the option they prefer:
 - The lower of the product of the calculation and the updated flat rent amount; or
 - The income based rent.

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Currently, the PHA has 17 households that pay flat rent. About half of these households will incur a rent increase with approximate ranges as follows:

Households Impacted	Range of Increase
3	\$20.00 - \$100.00
2	\$100.00 - \$200.00
3	\$200.00 - \$300.00
2	\$300.00 - \$350.00
7	No Increase Anticipated

Families can opt to pay approximately 30 percent of their income toward rent (income-based).

FINANCIAL CONSIDERATIONS

The recommended actions in this report require no additional funding.

POLICY CONSIDERATIONS

This Public Housing Authority complies with applicable federal laws and regulations, including the Quality Housing and Work Responsibility Act of 1998 (QHWRA).

ENVIRONMENTAL REVIEW

The actions recommended in this staff report do not constitute a project under the California Environmental Quality Act (CEQA) per Guidelines Sections 15378(b)(2) and (4), and are categorically exempt under the National Environmental Policy Act (NEPA) pursuant to 24 CFR 58.34(2) and (3).

M/WBE AND SECTION 3 CONSIDERATIONS

Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent as may be applicable.

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Respectfully submitted,



LA SHELLE DOZIER
Executive Director

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Exhibit A – Housing Authority PHA Annual Plan
Exhibit B – Public Housing Admissions and Continued
Occupancy Policy (ACOP) with one significant change
Exhibit C - HUD Notice 2014-12

RESOLUTION NO. SHRC-

ADOPTED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION UNDER THE AUTHORITY DELEGATED TO THE COMMISSION PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE, SECTION 33202 BY RESOLUTION NO. RA 81-083 ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO ON OCTOBER 20, 1981, AND BY RESOLUTION NO. RA-83 ADOPTED BY THE REDEVELOPMENT AGENCY OF THE COUNTY OF SACRAMENTO ON OCTOBER 27, 1981, AND PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34292 BY RESOLUTION NO. HA 81-098 ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO ON OCTOBER 20, 1981, AND BY RESOLUTION NO. HA-1497 ADOPTED BY THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO ON OCTOBER 27, 1981.

ON DATE OF

August 6, 2014

2014 AMENDED ANNUAL PHA PLAN - FLAT RENT POLICY AMENDMENT

BE IT RESOLVED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION:

Section 1: After due consideration of the facts presented in the staff report and a properly noticed public hearing held at this Commission on August 6, 2014, the findings, including the environmental findings regarding this action, are found to be true and correct.

Section 2: The actions authorized by this resolution do not constitute a project under the California Environmental Quality Act (CEQA) per Guidelines Sections 15378(b)(2) and (4), and is categorically exempt under the National Environmental Policy Act (NEPA) pursuant to 24 CFR 58.34(2) and (3).

Section 3: The Flat Rent Amendments to the Annual Plans for the Housing Authority of the City of Sacramento and for the Housing Authority of the County of Sacramento as set forth on Exhibit A are consistent with the Consolidated Plan pursuant to the Code of Federal Regulations (CFR) 24 CFR 903.15, complies with the Quality Housing and Work Responsibility Act of 1998, and is hereby certified and approved.

Section 4: The Flat Rent Amendments to the Admissions and Continued Occupancy Policies (ACOP) for the Housing Authority of the City of Sacramento and for the Housing Authority of the County of Sacramento as set forth on Exhibit B are hereby certified and approved.

Section 5: All prior Flat Rent Policies are rescinded and are replaced in full by this resolution. Additional or expanded authorities of the Housing Authority to set Flat Rents with respect to specific programs or activities are not rescinded by this resolution and remain in full force and effect.

Section 6: The Executive Director or her designee is authorized to implement the 2014 Flat Rent Policy as set forth in Exhibits A and B, distribute the Flat Rent Policy to users of Housing Authority services, and submit 2014 PHA Annual Plan Amendment to the U. S, Department of Housing and Urban Development (HUD).

CHAIR

ATTEST:

CLERK

2014 Annual PHA Plan Flat Rent Amendment for the Housing Authority of the City of Sacramento

3. Rent Determination

Flat Rents

Our PHA has established, a flat rental amount for each dwelling unit in public housing that:

- Is based on the market rental value of the unit, as determined by the PHA;
- **Is at least 80% of the Fair Market Rent;**
- Is designed so that the rent structures do not create a disincentive for continued residency in public housing by families who are attempting to become economically self-sufficient through employment or who have attained a level of self-sufficiency through their own efforts

The PHA shall review the income of families paying flat rent not less than once every three (3) years. Family composition will be reviewed annually for all families, including those paying flat rent. For a family paying flat rent **there will be** a utility deduction.

2014 Annual PHA Plan Flat Rent Amendment for the Housing Authority of the County of Sacramento

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- **Is at least 80% of the Fair Market Rent;**
- Is designed so that the rent structures do not create a disincentive for continued residency in public housing by families who are attempting to become economically self-sufficient through employment or who have attained a level of self-sufficiency through their own efforts

The PHA shall review the income of families paying flat rent not less than once every three (3) years. Family composition will be reviewed annually for all families, including those paying flat rent. For a family paying flat rent **there will be** a utility deduction.

Flat Rent Significant Amendment

The Housing Authority of the City of Sacramento hereby amends its flat rent policies to comply with the statutory changes contained within, Public Law 113 – 76, the Fiscal Year 2014 Appropriation Act.

The Housing Authority of the City of Sacramento will set the flat rental amount for each public housing unit that complies with the requirement that all flat rents be set at no less than 80 percent of the applicable Fair Market Rent (FMR) adjusted, if necessary, to account for reasonable utilities costs. The new flat rental amount will apply to all new program admissions effective September 1, 2014. For current program participants that pay the flat rental amount, the new flat rental amount will be offered, as well as the income-based rental amount, at the next annual rental option.

The Housing Authority of the City of Sacramento will place a cap on any increase in a family’s rental payment that exceeds 35 percent, and is a result of changes to the flat rental amount as follows:

- Multiply the existing flat rental payment by 1.35 and compare that to the updated flat rental amount;
- The PHA will present two rent options to the family as follows:
 - the lower of the product of the calculation and the updated flat rental amount; and
 - the income-based rent.

Flat Rent Significant Amendment

The Housing Authority of the County of Sacramento hereby amends its flat rent policies to comply with the statutory changes contained within, Public Law 113 – 76, the Fiscal Year 2014 Appropriation Act.

The Housing Authority of the County of Sacramento will set the flat rental amount for each public housing unit that complies with the requirement that all flat rents be set at no less than 80 percent of the applicable Fair Market Rent (FMR) adjusted, if necessary, to account for reasonable utilities costs. The new flat rental amount will apply to all new program admissions effective September 1, 2014. For current program participants that pay the flat rental amount, the new flat rental amount will be offered, as well as the income-based rental amount, at the next annual rental option.

The Housing Authority of the County of Sacramento will place a cap on any increase in a family's rental payment that exceeds 35 percent, and is a result of changes to the flat rental amount as follows:

- Multiply the existing flat rental payment by 1.35 and compare that to the updated flat rental amount;
- The PHA will present two rent options to the family as follows:
 - the lower of the product of the calculation and the updated flat rental amount; and
 - the income-based rent.



**U.S. Department of Housing and Urban Development
Office of Public and Indian Housing**

Special Attention:

Public Housing Agencies (PHA)
Public Housing Hub Office Directors
Public Housing Program Center Directors
Regional Directors
Field Office Directors
Resident Management Corporations

NOTICE PIH 2014-12 (HA)

Issued: May 19, 2014

Expires: Effective until amended,
superseded, or rescindedCross References: 24 CFR Part 960
and 24 CFR Part 903.

Subject: Changes to Flat Rent Requirements – 2014 Appropriations Act

1. PURPOSE

This notice implements Sections 210 and 243 of Title II of P.L 113-76, the Consolidated Appropriations Act of 2014. Specifically, this guidance clarifies HUD's interpretation of the statutory amendment related to flat rents and the requirement that PHAs comply with the amendments by June 1, 2014.

This notice serves as interim guidance. Section 243 requires HUD to commence rulemaking no later than six months after this notice is issued. The policy will be finalized through the rulemaking and public comment procedures. At that time, the Department will be very interested in feedback from PHAs and other stakeholders about how best to implement the policies. HUD is particularly interested in the burden created by the new policies, impact on PHA budgets, and impact on residents.

2. APPLICABILITY, BACKGROUND, AND HUD INTERPRETATION OF NEW STATUTORY REQUIREMENTS

This notice applies to PHAs that operate a public housing program. It also applies to families residing in, or applicants to the public housing program.

Moving to Work (MTW) PHAs operating a public housing program can exercise flexibility in regards to establishing flat rents, in accordance with the terms of their respective MTW Agreement and approved Annual MTW Plan. If an MTW PHA has not exercised flexibility via the Annual MTW Plan, then the policies set forth in this Notice will apply to the MTW PHA.

Currently, PHAs are required to establish flat rents based on the market rent of comparable units in the private, unassisted rental market. Paragraph (2)(B)(i) of Section 3(a) of the United States Housing Act of 1937 (the Act), as amended by Section 210, establishes new parameters that PHAs must use when determining the flat rent amounts. Specifically, flat rents must now be:

- set at no less than 80 percent of the applicable Fair Market Rent (FMR); and

Section 210 also establishes that PHAs may, but are not required to lower flat rents to 80% of the applicable FMR in years when the FMR decreases from the previous year. This provision applies to the FMRs published for fiscal year 2015 and beyond. If a PHA must increase their flat rents to comply with the statutory changes, the increase shall be considered a significant amendment to the PHA Annual Plan. Please review Section 8 of this Notice which provides a detailed explanation regarding significant amendments for flat rent changes.

PHAs shall comply with the new flat rent requirements by June 1, 2014. The Department will consider PHAs to be in compliance with the new requirements if non-qualified agencies have initiated the process to amend their PHA Annual Plan, and qualified agencies have initiated the public hearing process by no later than June 1, 2014. PHAs should begin applying the new flat rent schedules to households they are recertifying and new applicants by October 31, 2014.

If a new flat rent amount for a unit will increase a family's existing rental payment by more than 35 percent, then the new flat rent amount shall be phased in as necessary to ensure that the family's existing rental payment does not increase by more than 35 percent annually. For more information, see Section 6 of this notice.

3. FMRs AND UTILITY PAYMENTS

Fair Market Rents (FMRs) are gross rent estimates that cover the shelter rent plus the cost of all necessary utilities regardless of who actually pays the utilities. Although the inclusion of utilities in the FMR is an accurate estimate of the cost of renting a unit in a particular area, their inclusion for purposes of setting Public Housing flat rents may lead to families paying more in gross rent if the shelter rent is not adjusted to reflect utility payments. Specifically, families that pay a flat rent for public housing units and that pay their own utilities would pay more in gross rent (i.e., shelter rent plus utilities) than a family in a similarly situated unit where the PHA pays the utilities.

For example, if an agency sets the flat rent for 1-BR units at exactly 80 percent of the FMR, totaling (\$400), a family renting a unit where the PHA pays the utilities would pay \$400, and a family that rents a unit where they are responsible for paying utilities would pay \$400 plus the cost of utilities. In this case, the family paying for utilities directly pays

more because they are renting a unit where they are responsible for their own utility payments.

To address this issue when establishing flat rents, PHAs must consider who is responsible for direct utility payments to the utility company, and adjust the flat rent accordingly. Specifically, if an agency is responsible for paying for utilities to the utility company, no adjustment is necessary when setting flat rents. However, if the family is responsible for making direct utility payments to the utility company, the PHA must adjust the flat rent amount downward, using a utility allowance, to account for reasonable utility costs of an energy-conservative household of modest circumstances consistent with the requirements of a safe, sanitary, and healthful living environment. For flat rents that are set at 80 percent of FMR, PHAs must first determine 80 percent of FMR for each bedroom-size, and then reduce that amount by the utility allowance. For example, if 80 percent of FMR for a 1-BR unit is \$400, then the resulting rent after a reasonable utilities reduction of \$50 per month would be \$350. PHAs should also consider utility payments where flat rents are set above 80 percent of FMR and incorporate such adjustments as necessary.

4. FLAT RENT POLICIES – HOW TO COMPLY WITH THE NEW REQUIREMENTS IN THE INITIAL YEAR

In order to comply with the statutory requirements, PHAs must do the following:

- 1) Compare the current flat rent amount as determined by the PHA to the applicable FMR;
- 2) If the existing flat rent amount is at least 80 percent of the FMR, the PHA is in compliance with the law, and no further steps are necessary;
- 3) If the existing flat rent amount is less than 80 percent of FMR, PHAs must revise their flat rents to no less than 80 percent of FMR, subject to the utilities adjustment in section 3 of this notice;
- 4) If changes to flat rents are necessary, include a description of the changes to the flat rent policies in a significant amendment to the PHA Annual Plan. Section 8 of this notice provides for a streamlined process for completing this requirement;
- 5) Update the flat rent policies in the Admissions and Continued Occupancy Policies (ACOP);
- 6) The PHA must offer the new flat rent and the applicable income-based rent to all new admissions to the program within 90 days of formally adopting the new flat rents, but not later than October 31, 2014; and
- 7) Within 90 days after a PHA has formally adopted the new flat rents, but not later than October 31, 2014, the PHA must begin to offer the new flat rent to families that are currently paying the flat rent amount, at the family's next annual rent option, and permit the family to choose between the flat rent amount and the income-based rent, subject to the requirements of Section 6 of this notice.

5. FLAT RENT POLICIES – HOW TO COMPLY ON AN ANNUAL BASIS

In order to comply with the flat rent requirements annually, PHAs must:

- 1) Calculate flat rents using a rent reasonableness methodology,¹ as defined in 24 CFR Part 960.253(b), for determining the flat rent based on the market rent of comparable units in the private, unassisted rental market. Such a reasonable method should consider the location, quality, size, unit type, unit age, and any amenities;
- 2) If the flat rent, as determined by the rent reasonableness study, is at least 80 percent of the FMR, PHAs must set flat rents at the amount determined by the rent reasonableness study;
- 3) If the flat rent, as determined by the rent reasonableness study, is less than 80 percent of the FMR, PHAs must set flat rents at no less than 80 percent of the FMR, subject to the utilities adjustment in section 3 of this notice;
- 4) If the FMR falls from the previous year, PHAs, may, but are not required to lower the flat rent amount to 80 percent of the FMR;
- 5) Include a description of flat rent policies in the PHA annual plan or in documents available for a public hearing as applicable;
- 6) Update the flat rent policies in the Admissions and Continued Occupancy Policies (ACOP) as necessary;
- 7) At all new admissions, permit the family to choose between the flat rent amount and the income-based rent;
- 8) For families that are already paying the flat rent amount, PHAs must offer any changes to flat rent amount at the next annual rent option, and permit the family to choose between the flat rent amount and the income-based rent, subject to the requirements of Section 6 of this notice; and
- 9) Upon issuance of new FMRs by HUD, the PHA must:
 - Determine if the current flat rent is at least 80% of the new FMR;
 - Update the flat rent amounts² if necessary to meet the 80% requirement within a reasonable time but no later than 90 days of HUD publishing new FMRs;
 - Apply the new flat rents to all new admissions and to existing families at the next annual rent option, subject to Section 6 of this notice.

6. FLAT RENT INCREASE PHASE-IN REQUIREMENTS

Section 210 of the FY 14 Appropriations Act requires that if an existing tenant's rental payment would be increased by 35 percent or more as a result of changes to the flat rent

¹ The Department recognizes the burden placed on PHAs by the requirement to complete rent reasonableness studies annually, particularly in jurisdictions where market rents are substantially below the applicable FMR. PHAs that determine through their rent reasonableness methodology that their reasonable rents would be less than 60 percent of the applicable FMR may choose to complete a rent reasonableness study once every three years, rather than annually.

² Updating flat rents based on changes to the FMR by HUD does not constitute a significant amendment to the annual plan.

amount, that the increase must be phased in such that a family would not experience an increase in their rental payment of more than 35 percent in any one year. Although Section 210 permits PHAs to increase flat rents by up to 35 percent annually, PHAs may consider any limitations on annual rent increases pursuant to state and local law. For example, some states have established annual rent increase limits of no more than 10 percent. Further, PHAs have discretion to phase-in rent increases 35 percent or less over a three-year period. For example, for a family that will experience a rent increase of 10 percent due to the new flat rent requirements, a PHA could choose to phase in the total rent increase over three years.

In order to determine how to phase-in increases in rental payments, PHAs must:

- 1) On a case-by-case basis, at the family's next annual rent option, compare the updated flat rent amount applicable to the unit for which a family is currently paying the flat rent to the flat rent that was being paid by the family immediately prior to the annual rent option;
 - a. If the new flat rent amount would not increase a family's rental payment, the family may choose to pay either the updated flat rent amount or the previously calculated income-based rent;
 - b. If the updated flat rent amount would increase a family's rental payment, PHAs must conduct a flat rent impact analysis by multiplying the existing flat rent amount by 35 percent (or a lesser amount pursuant to state/local law) and adding that product to the flat rent amount ($FR \times 35\% = X + FR$). This calculation can be done by simply multiplying the current flat rent amount by 1.35. PHAs must then compare the product of the calculation to the updated flat rent amount; and
- 2) The PHA must offer and the family may choose to pay, either the lower of the flat rents that were compared in the flat rent impact analysis or the previously calculated income-based rent.

Example 1 – Flat Rent Increase Does Not Require Phase-In

The Gordon family is currently paying the flat rent amount of \$350 per month, rather than the income-based rent of \$500. When the Gordon family meets with the PHA to discuss rent options for the upcoming year, the PHA informs the Gordon family that due to the FY 2014 appropriations law, the flat rent amount has increased to \$450 per month. Because the increase in the flat rent amount represents an increase of less than 35 percent from the Gordon's previous rental payment amount, they have the option to pay the new flat rent amount of \$450, or pay the income based rent based of \$500. The Gordon family chooses to pay the new flat rent amount of \$450.

Initial Flat Rent: \$350

New Flat Rent: \$450

Family Rent Increase Impact Analysis:

Current Flat Rent	New Flat Rent	Impact Analysis (FRx1.35)	Income-Based Rent	New Family Rent
\$350	\$450	\$472.5	\$500	\$450

Example 2 – Flat Rent Increase Requires Phase-In

The Jones family is currently paying the flat rent amount of \$500 per month. When the Jones family meets with the PHA to discuss rent options, the PHA tells the family that the flat rent amount has increased to \$700 resulting from 2014 appropriations law. However, the PHA tells the family that the family's flat rent payment would only increase to \$675 because flat rent changes must be phased in as necessary to ensure that the family's existing rental payment does not increase by more than 35 percent annually. The family has the option to pay either the \$675 per month, or an income-based rent of \$800 per month based on the most recent examination of the Jones' family income. The Jones family chooses to pay the flat rent amount of \$675.

At the next rent option meeting between the Jones family and the PHA, the PHA informs the Jones family that the flat rent amount has increased to \$750 per month due to an increase in the FMR. Because the new flat rent amount is less than a 35 percent increase from the previous rental payment, the Jones family has the option to pay the flat rent amount of \$750 or the income-based rent amount of \$800 based on the most recent examination of family income and composition. The Jones family chooses to pay the new flat rent amount of \$750.

Initial Flat Rent: \$500

New Flat Rent: \$700

Family Rent Increase Impact Analysis:

Year	Current Flat Rent	New Flat Rent	Impact Analysis (FR x 1.35)	Income-Based Rent	New Family Rent
1	\$500	\$700	\$675	\$800	\$675
2	\$675	\$750	\$911.25	\$800	\$750

7. CONDUCTING ANNUAL RENT OPTIONS

24 CFR 960.253(a) requires PHAs to annually give families the option to choose between paying the flat rent or the income-based rent, and stipulates that PHAs may not give families the option more than once per year, except in the case that the family has chosen the flat rent and experiences a financial hardship. 24 CFR 960.253(e) stipulates that in order for a family to make an informed choice regarding rent options, PHAs must provide at least the following information:

- The PHA's policies on switching the type of rent due to financial hardship;
- The dollar amount of the flat rent and the income-based rent.

24 CFR 960.253(e)(2) permits PHAs the flexibility to conduct reexaminations of family income once every three years instead of annually for families that choose to pay the flat rent. In years when a PHA does not conduct a full reexamination of family income, PHAs must give the family the option of paying the flat rent or the income-based rent as calculated from the most recent examination of family income and composition.

In order for PHAs to comply with the requirements to conduct an annual rent option, and to provide families with sufficient information to make an informed choice, PHAs must do the following:

At initial occupancy, or in any year where a current program participating family is paying the income-based rent:

- 1) Conduct a full examination of family income and composition at the first annual rent option (Year 1);
- 2) Inform the family of the flat rent amount and the rent amount determined by the examination of family income and composition;
- 3) Inform the family of the PHA's policies on switching rent types due to financial hardship; and
- 4) Apply the family's rent decision at the next lease renewal.

At the second and third annual rent options for families that choose to pay the flat rent:

- 1) PHAs may, but are not required to conduct a full examination of family income and composition for the second and third annual rent options. If a PHA chooses not to conduct an examination of family income for these annual rent options, PHAs must use the income information from the examination of family income and composition from the first annual rent option;
- 2) PHAs must inform the family of the updated flat rent amount, and the rent amount determined by the most recent examination of family income and composition;
- 3) PHAs must inform the family of the PHA's policies on switching rent types due to financial hardship; and
- 4) PHAs must apply the family's rent decision at the next lease renewal.

For the purpose of conducting the rent option meeting for a family that has paid the flat rent for the previous three years, and for which the PHA has not conducted a reexamination of family income and composition in the last three years, the PHA must complete a full reexamination of family income and composition in order to update the income-based rent amount.

PHAs are reminded that the flat rent amount a family pays is not locked in for the three year period. Instead, the PHA must revise the flat rent amount from year to year based on the findings of the PHA's rent reasonableness analysis and changes to the FMR.

Families currently paying the flat rent amount must be offered the choice between the updated flat rent amount, and the previously calculated income-based rent.

8. PHA PLANS AND SIGNIFICANT AMENDMENTS

All non-qualified PHAs are required by 24 CFR 903.7(d) to include a statement about policies, including flat rents, in their annual plan. Further, 24 CFR 903.7(r) provides flexibility to PHAs to define the criteria for changes to the PHA Plan that would trigger a significant amendment. HUD understands that PHAs have different definitions of what changes constitute a significant amendment to the PHA plan. HUD also recognizes that the statements about rent policies that are included in PHA plans vary significantly from one agency to the next. However, because changes to flat rents may have a significant impact on family rent payments, PHAs that must update their flat rent schedules to comply with the new flat rent requirements must undertake a significant amendment to the PHA Annual Plan. Qualified agencies that must update their flat rent schedules to comply with the new flat rent requirements must hold a public hearing regarding the flat rent changes.

To expedite the significant amendment process, HUD is providing HUD-approved Significant Amendment language (See Appendix A) that PHAs may utilize for the purpose of conducting public hearings and submitting the significant amendment to HUD to update HUD's records of flat rent policies. PHAs are not required to use the language. HUD will deem approved all significant amendments that utilize the HUD-approved language, and do not include other changes to the PHA Annual Plan. PHAs that use the language should not expect a written approval from HUD, and may enact the new flat rents within 90 days of submission of the significant amendment to HUD. PHAs that do not use the HUD-approved significant amendment language must wait for HUD approval before implementing the new flat rents. PHAs must maintain records that document the method used to determine flat rents, and also show how flat rents are determined by the PHA in accordance with this method as required by 24 CFR 960.253(b)(5).

9. CONTACT INFORMATION

If you have questions regarding this Notice, please contact your local HUD Field Office.

10. PAPERWORK REDUCTION ACT



HOW SACRAMENTO COUNTY'S HOUSING MARKET IS FAILING TO MEET THE NEEDS OF LOW-INCOME FAMILIES

RECOMMENDATIONS TO THE LEADERS OF THE STATE OF CALIFORNIA AND SACRAMENTO COUNTY

Sacramento County is seventh on the list of counties with the largest shortfalls of homes affordable to low-income families in California. Many of those families live in unhealthy or unsafe conditions, crowd multiple people into each room, and still pay more than 50 percent of their income on rent. The following report describes the magnitude of the shortfall, highlights those who are affected by cuts to housing programs, and recommends local policy solutions to help mitigate the impact of Sacramento County's affordable housing crisis.

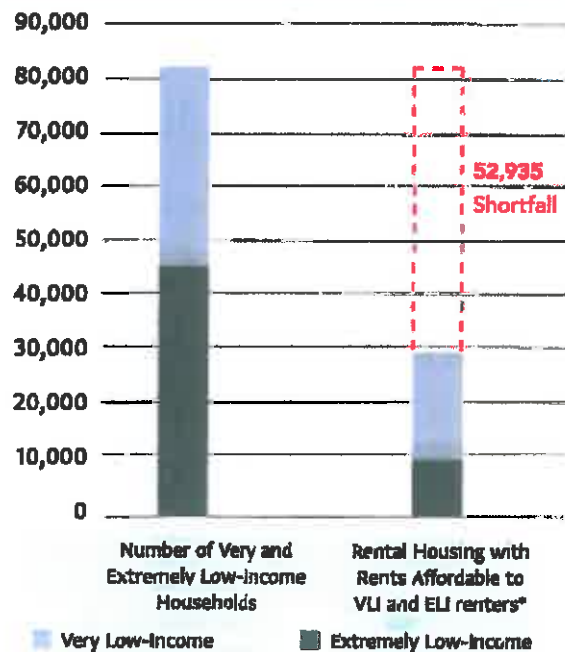
KEY ELEMENTS OF SACRAMENTO COUNTY'S AFFORDABLE HOUSING MARKET FAILURE:

- There is a **shortfall of 52,935 homes** affordable to Sacramento County's very low-income (VLI) and extremely low-income (ELI) households.
- **Median rents in Sacramento County increased by 12% between 2000 and 2012**, while the median income declined by 13%, significantly driving up the percentage of income that households must spend on rent.
- **Nearly 70%** of very low-income households **pay more than 50% of their income in rent.**

90% = VLI (70%)

SOURCE: NLIHC Analysis of 2012 PUMS data

SHORTFALL OF AFFORDABLE AND AVAILABLE HOMES IN SACRAMENTO COUNTY



SOURCE: NLIHC Analysis of 2006-2010 CHAS data

THE HOUSING MARKET HAS FAILED TO MEET THE NEEDS OF AN ENTIRE SEGMENT OF SACRAMENTO COUNTY'S POPULATION

Rent is considered affordable when it consumes no more than 30 percent of household income. In Sacramento County there are homes with affordable rents for only two out of ten extremely low-income (ELI) renter households—those earning 30 percent or less of the metro area's median income. The county is home to 45,410 ELI households.¹ Very low-income (VLI) households, those who earn up to half of their area's median income, fair only slightly better: there are affordable and available homes for fewer than four out of every ten VLI households in the county.

More than 50 percent of ELI households are elderly or disabled, while VLI households are more likely to include low-wage workers.² In fact, there are 156,455 workers in Sacramento County earning less than half the county's median income. TABLE 1 provides some examples of working adults in Sacramento County who are VLI.

While proposals to increase the state minimum wage would certainly help, a few more dollars an hour will not be enough to reduce the affordability burden. To afford the current fair market rent for the county, a household needs to earn at least \$42,889 per year.³

WHO IS BEING LEFT OUT OF SACRAMENTO COUNTY'S HOUSING MARKET?

HUD 50% of Area Median Income (AMI) in Sacramento County for a 3 person household: \$34,250
Total workers earning < 50% AMI: 156,455

JOB CATEGORY	MEDIAN INCOME IN SAC
Nursing Assistants	\$29,520
Preschool Teachers	\$26,970
Security Guards	\$23,300
Restaurant Cooks	\$22,410
Home Health Aids	\$21,750
Waiters/Waitresses	\$18,490

SOURCES: U.S. Department of Housing and Urban Development Section 8 Income Limits for 2012; Bureau of Labor Statistics 2012 Occupational Employment Statistics for Sacramento--Arden-Arcade--Roseville MSA.

RENTS ARE HIGH AND RISING, ESPECIALLY IN RELATION TO STAGNANT OR DECLINING INCOMES

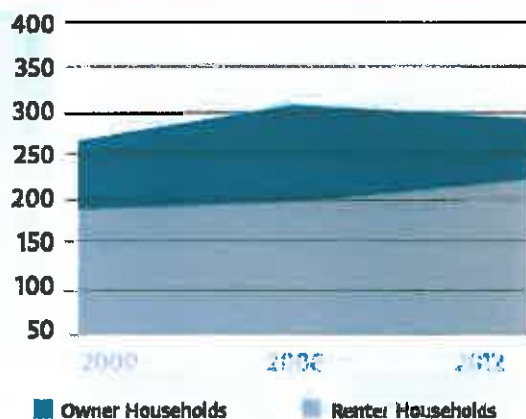
Census data shows that inflation-adjusted median household income in Sacramento County in 2012 was 13 percent lower than it was in 2000. However, the inflation-adjusted median rent was 12 percent higher. FIGURE 3 shows the imbalance between the growth in median rents and the decline in median income since 2000.

Together, stagnant wages and steeply increasing housing costs have pushed many low-income households' budgets to the breaking point. According to the California Poverty Measure, the poverty rate in Sacramento County is 17 percent.⁴

Rents increase in response to demand. More than 33,000 new renter households have entered the Sacramento market since 2006,⁵ many because of displacement during the foreclosure crisis.

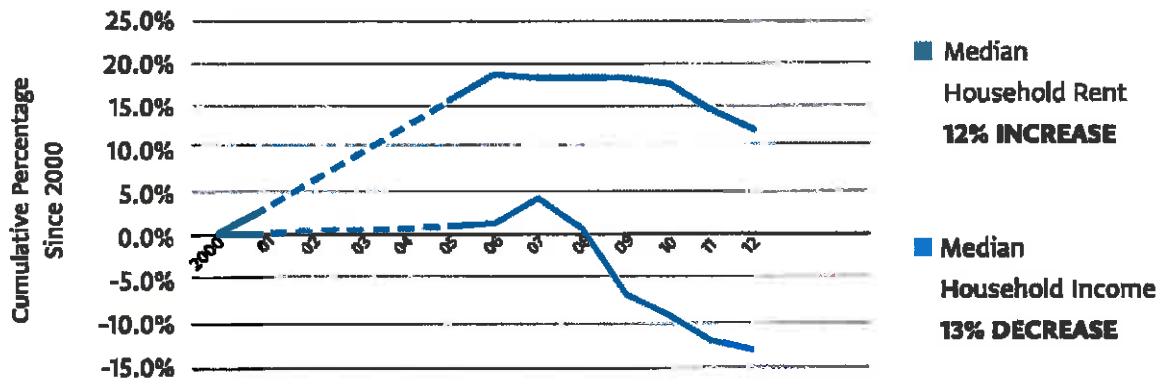
The foreclosure crisis did not create more opportunities for low-income households to find affordable homes.

CHANGE IN OWNER AND RENTER HOUSEHOLDS (in thousands)



SOURCES: 2000 Census, 2006 1-year ACS, 2012 1-year ACS

CUMULATIVE PERCENTAGE CHANGE IN INFLATION-ADJUSTED MEDIAN INCOME AND MEDIAN RENT IN SACRAMENTO COUNTY 2000 TO 2012



SOURCES: US Census 2000 and American Community Survey 2005-2012. Median rents and incomes from 2001-2004 are estimated.

LOCAL, STATE, AND FEDERAL DISINVESTMENT IN AFFORDABLE HOUSING HAS EXACERBATED THE HOUSING MARKET'S FAILURE TO PROVIDE FOR LOW-INCOME FAMILIES

Even as Sacramento County's shortfall of affordable homes has become more acute, the state has reduced its direct funding for affordable housing dramatically. State Housing Bonds funded by Propositions 1C and 46 are exhausted, meaning the elimination of tens of millions of dollars in investment to provide homes to low- and moderate-income households in Sacramento. The elimination of Redevelopment funds led to a loss of more than \$20.4 million annually in

local investment in the production and preservation of affordable homes in Sacramento County.

Exacerbating the state cuts is the simultaneous disinvestment in affordable housing by the federal government. Cuts to HOME and Community Development Block Grants (CDBG) have resulted in the loss of another \$13.6 million in funding. TABLE 2 highlights the loss of state and federal funding for affordable homes in Sacramento since 2008.

95% DECREASE
in state and federal funding for affordable homes in Sacramento since 2008.

TABLE 2 CHANGE IN SACRAMENTO COUNTY'S MAJOR AFFORDABLE HOUSING FUNDING SOURCES FY 2007/08 TO 2012/13

FUNDING SOURCES	FY 2007/2008	FY 2012/2013	% CHANGE
State Housing Bonds Prop. 46 and Prop. 1C*	\$83,859,264	\$0	-100%
Redevelopment Funds for Affordable Housing	\$20,497,218	\$0	-100%
Federal CDBG Funds	\$13,303,283	\$4,543,606	-66%
Federal HOME Funds	\$6,752,998	\$1,906,264	-72%
Total	\$124,412,763	\$6,449,870	-95%

SOURCES: CHPC tabulations of HCD's Redevelopment Housing Activities Report and HUD's CPD program formula allocations by fiscal year.

*State Housing Bond funding for FY 2007/2008 and 2012/2013 provided by HCD.

RECOMMENDATIONS to the leaders of the State of California, Sacramento County, and local jurisdictions

If California is to rebuild a strong and diverse economy that includes low- and moderate-income households, our state must reinvest in affordable homes and develop responsive policy. Simply allowing a broken housing market to run its course is impoverishing and driving away our low-wage workforce, undermining our GHG-reduction goals, and forcing seniors, veterans, and people with disabilities into our shelters and emergency rooms, costing local governments five to ten times more in service costs.

STATEWIDE Policy Recommendations

1. Replace the exhausted state housing bonds (Propositions 46 and 1C) by:
 - Passing legislation to create a permanent source of funding at the state level for the production and preservation of affordable homes.
 - Making a general fund investment in existing state rental housing production programs.
2. Give local governments tools to replace lost funding and meet obligations to create and preserve affordable homes by:
 - Lowering the voter threshold for local funding of basic infrastructure including transportation, housing, and parks from two-thirds to 55 percent, the same as it is for school bonds.
 - Authorizing a new local Tax Increment Financing (TIF) program to fund investment in basic infrastructure including transportation, housing, and parks.
3. Help California meet its GHG reduction targets by investing a significant portion of Cap-and-Trade auction revenues in the California Department of Housing and Community Development's Transit Oriented Development (TOD) Housing Program and similar programs appropriate for rural areas.⁴

LOCAL Policy Recommendations

1. Strengthen city and county Inclusionary Housing policies and compliment existing policies with Housing Impact and In-lieu fees.
2. Devote all or a significant portion of Tax Increment revenue returned to the county and cities after the end of Redevelopment ("Boomerang" funds) to affordable housing on an ongoing basis.
3. Support Sacramento Steps Forward's plan to prevent and end homelessness with a range of options including rapid rehousing, permanent supportive housing (PSH) and SafeGround.
4. Identify new local and regional funding sources for affordable housing such as a transient occupancy tax.
5. Expand the Rental Housing Inspection Program developed by the City of Sacramento throughout Sacramento County to address the issue of substandard rental properties.



Sacramento Housing Alliance is a nonprofit coalition that works to ensure that all people in the Sacramento region have safe, decent, accessible and affordable housing in healthy neighborhoods, supported by equitable public policies and practices.

For more information about local policy solutions in Sacramento, please contact Sacramento Housing Alliance at (916) 455-4900.

¹ NLIHC Analysis of 2006-2010 CHAS data

² National Low Income Housing Coalition. "America's Affordable Housing Shortage and How to End it." Housing Spotlight 3, no. 2, (2013) http://nlihc.org/sites/default/files/HS_3-1.pdf

³ National Low Income Housing Coalition. "Out of Reach." (2014) <http://nlihc.org/oor/2014/CA>

⁴ The California Poverty Measure is an alternative to the conventional measure of poverty developed by the Public Policy Institute of California and Stanford that takes into account the social safety net and cost of living. http://www.ppic.org/content/pubs/report/R_1013SBR.pdf

⁵ CHPC Analysis of 2006 1-year ACS and 2012 1-year ACS

⁶ CHPC has authored and co-authored several reports on the environmental and social benefits of locating affordable homes near transit. A list of reports can be found at <http://www.chpc.net/GREEN/Publications.html>.