



COUNTY OF SAN DIEGO

AGENDA ITEM

HOUSING AUTHORITY

BOARD OF SUPERVISORS

NORA VARGAS
First District

JOEL ANDERSON
Second District

TERRA LAWSON-REMER
Third District

NATHAN FLETCHER
Fourth District

JIM DESMOND
Fifth District

DATE: September 1, 2021

XX

TO: Housing Authority of the County of San Diego Board of Commissioners

SUBJECT

EXPANDING AFFORDABLE HOUSING OPPORTUNITIES THROUGH PROJECT-BASED VOUCHERS (DISTRICTS: ALL)

OVERVIEW

The San Diego region faces a severe and chronic shortage of affordable housing units which directly impact housing insecurity and housing cost burden for lower-income households across the County. Over the past decade, the region has only produced enough very low-income housing to meet 10% of the need, and we are currently short approximately 32,000 very low-income units for households making under \$54,000 per year. Given this housing crisis, we need to leverage every available tool to develop more affordable housing. Project-based vouchers (or PBVs) are an underutilized resource administered by the Housing Authority of the County of San Diego (HACSD), which can be strategically deployed to create new affordable housing opportunities in low-poverty, resource-rich neighborhoods and to create dedicated housing for vulnerable populations such as low-income families, older adults, people with disabilities, and people who are formerly homeless.

Housing Choice Vouchers, which are sometimes referred to as Section 8 vouchers, are the largest program administered by HACSD with over 11,000 vouchers totaling \$160 million providing support to low-income tenants across the region. HUD administers two types of Housing Choice Voucher programs. The first is the tenant-based voucher, which is attached to a specific household. Participating households are responsible for finding their own rental unit on the private market. The household pays a share of the rent and utilizes (approximately 30% of their income), while the voucher pays the rest of the rent directly to the landlord, up to the local Fair Market Rent as set by HUD. The second type is the project-based voucher, or PBV, which is attached to a unit rather than a household. The eligibility and rent structure are similar to a tenant-based voucher.

PBVs are important because, unlike traditional tenant-based vouchers, they can address segregation and foster inclusive development by creating affordable housing units in low-poverty, resource-rich areas. Further, while tenant-based vouchers direct subsidies to private landlords, PBVs use the same subsidy to support the development of deeply affordable, income-

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restricted housing, permanent supportive housing, as well as dedicated housing opportunities for low-income families, older adults, people with disabilities, and people who are formerly homeless.

HUD allows local Public Housing Authorities to use up to 20% of housing vouchers as PBVs, but we currently utilize only 231 PBVs across 7 developments, compared to the total pool of 11,003 housing vouchers (2% of the total).

Today's action directs HACSD staff to develop a plan to increase the usage of PBVs to support affordable housing development and preservation projects across the County. This will better leverage our existing resources, add to the regional supply of dedicated affordable housing, increase the production of deeply affordable units, and create more diversity and housing accessibility in resource-rich neighborhoods.

We urge our colleagues to join us in supporting this item.

RECOMMENDATION(S)

SUPERVISOR TERRA LAWSON-REMER AND VICE-CHAIR NORA VARGAS

1. Direct the Executive Director/Health and Human Services Agency Director to develop a plan to expand the use of project-based housing choice vouchers to support affordable housing development and preservation projects. The plan should cover include the following:
 - An analysis of voucher attrition rates, voucher porting, projected fair market rents, and the projected number of vouchers available for PBV utilization over the next 5 years.
 - An analysis of the voucher waitlist system. HACSD should evaluate national best practices to assess if moving to a centralize waiting list would create greater efficiency, accessibility, and simplicity for households wishing to apply for PBV units. Further, HACSD should consider regional partnerships and coordination with other Public Housing Authorities to simplify and streamline various PBV and tenant-based voucher waitlist systems.
 - Priorities for awarding project-based vouchers to housing projects located in low VMT areas or communities located near high transit priority areas, and for projects that include sustainable building materials and sustainable design principles, per design standards by LEED, EnergyStar, BREEM or an equivalent sustainability certification body.
2. Direct the Executive Director/Health and Human Services Agency Director to report back with a memo detailing the plan as described above to the Board by November 1, 2021, for further policy direction. A final plan is anticipated to be included in the Fiscal Year 2022-2023 Public Housing Agency Annual Agency Plan.

EQUITY IMPACT STATEMENT

As mandated by federal regulations, for FY 2021-2022 75% of new admissions to the program must qualify as an extremely low-income family earning 30% of area median income or less (\$29,100 for a family of two and/or \$36,350 for a family of four) and the other 25% of admissions

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must qualify as a low-income family earning 50% of area median income or less (\$48,500 for a family of two and/or \$60,600 for a family of four).

As of April 2021, the leased participant distribution includes:

- 44% are older adults and/or people with disabilities single tenants
- 13% are single parents with children in the household
- 40% of participants have children in the household
- 65% of households where head or spouse is either an older adult or a person with a disability
- 22% are older adults
- 32% are people with disabilities
- 30% are under the age of 18

FISCAL IMPACT

There is no fiscal impact associated with this action. There will be no change in net County General Fund cost and no additional staff years.

BUSINESS IMPACT STATEMENT

This action will positively impact the economic outlook and business climate across the San Diego region. High cost of living and housing cost burden are major barriers for businesses looking to attract and retain a highly skilled workforce. Each year, the County of San Diego loses a net total of 23,000 people, with the high cost of living as one of the driving factors. Further, households that are not housing cost burdened tend to have more disposable income to stimulate local economic spillover effects.

ADVISORY BOARD STATEMENT

N/A

BACKGROUND

The San Diego County Board of Supervisors (Board) established the Housing Authority of the County of San Diego (HACSD) in 1975 to act as the local entity that administers housing assistance programs through funds provided by the U.S. Department of Housing and Urban Development (HUD). The programs assist low-income households, people experiencing homelessness, and people with disabilities to access decent, safe, and affordable housing. HACSD serves a portion of the County of San Diego as some neighboring incorporated cities have their Public Housing Authority, including: City of San Diego Housing Commission, Encinitas Housing Authority, Carlsbad City Housing Authority, Oceanside City Housing Authority, and the Community Development Commission of National City.

Housing Choice Vouchers, which are sometimes referred to as Section 8 vouchers, are the largest program administered by HACSD with over 11,000 vouchers totaling \$160 million providing support to low-income tenants across the region. These numbers, while large, only meet a fraction of the need. Due to federal funding limitations, only 1 in 4 families that are eligible for federal rental assistance programs receive support, resulting in waitlists that can extend over a decade.

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Voucher Program	\$ Amount	Vouchers
Housing Choice Vouchers (Section 8)	\$148,000,000	10,056
Veterans Affairs Supportive Housing (VASH)	\$9,400,000	646
Family Unification Program (FUP)	\$490,000	37
Emergency Housing Voucher (EHV)	\$3,000,000	264
Total	\$160,990,000	11,003

Two Types of Housing Vouchers

HUD administers two types of Housing Choice Voucher programs. The first is the tenant-based voucher, which is attached to a specific household. Participating households are responsible for finding their own rental unit on the private market. The household pays a share of the rent and utilizes (approximately 30% of their income), while the voucher pays the rest of the rent directly to the landlord, up to the local Fair Market Rent as set by HUD.

The second type is the project-based voucher, or PBV, which is attached to a unit rather than a household. The local Public Housing Authority works with a landlord to attach the PBV to a rental housing unit. The eligibility and rent structure work the same, households pay 30% of their income in rent while the voucher pays the difference up to HUD's Fair Market Rent. Further, households in PBV units can opt to later transition to an available tenant-based voucher, though research from the Urban Institute shows that this is not too common. Generally, PBVs can be attached to a maximum of 25 units or 25% of the units in a housing development (whichever is greater).

What Makes PBVs So Important

According to the Center for Budget and Policy Priorities, PBVs are an underutilized policy tool that is not widespread but quickly gaining popularity, as they offer several key benefits for communities, landlords, and tenants:

- 1. PBVs help low-income families and older adults get affordable housing in resource-rich neighborhoods.** Research shows that living in low-poverty, resource-rich neighborhoods can have positive economic, educational, and health benefits for low-income households, and especially for children in their household. However, resource-rich neighborhoods often have a history of exclusionary land use policies that make them inaccessible for many lower-income families. Tenant-based voucher holders often have stiff competition in low-vacancy rate markets, as well as "source of income" discrimination. This form of discrimination is illegal but nonetheless notoriously widespread and difficult to enforce. PBVs provide a unique opportunity to create dedicated deeply affordable units in low-poverty, resource-rich neighborhoods where affordable housing may otherwise be unavailable. This provides more affordable housing opportunities for low-income families, older adults, and people with disabilities.
- 2. PBVs help create affordable and mixed-income housing.** Affordable housing projects are extremely difficult to finance, and it routinely takes 4-6 years to find enough subsidy sources to make a development project viable. PBVs are a unique tool that can be attached to affordable housing units to help make project financing more viable. For

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example, HUD sets the maximum rent for a 30% AMI one-bedroom unit at \$728 dollars per month. In contrast, a PBV voucher can pay up to HUD's Fair Market Rent, which varies by zip code but is \$2,310 for a one-bedroom unit in Carmel Valley.

This is especially important as most affordable housing projects utilize funding sources, like Low Income Housing Tax Credits, that tend to produce units at 60% AMI, which is too high a level for extremely low-income households. PBVs can be layered into projects to add deeper affordability and income diversity to affordable housing developments. Deeply affordable housing is a desperately needed resource as the region. Over the past decade, the San Diego region only produced enough very low-income housing to meet 10% of the need, and we are currently short approximately 32,000 very low-income units for households making under \$54,000 per year.

- 3. PBVs can provide supportive services for voucher tenants.** Many low-income tenants, like older adults, people with disabilities, and formerly homeless individuals, may need additional support services to maintain stable and healthy housing situations. PBVs can be attached to several units in a development to allow service providers to work efficiently with residents and improve access to services. In this way, PBVs are particularly well-suited to help finance permanent supportive housing units, which often pair affordable housing with on-site case workers as well as voluntary healthcare, treatment, and employment services.

Developing a Plan to Increase PBVs

HUD allows local Public Housing Authorities to use up to 20% of housing vouchers as PBVs, which would add to the regional supply of dedicated affordable housing, increase the production of deeply affordable units, and create more diversity and housing accessibility in high-opportunity neighborhoods. HACSD currently utilizes only 274 PBVs across 5 developments, compared to the total pool of 11,003 housing vouchers (2.5% of the total). While tenant-based vouchers offer locational flexibility, they do not add to our regional affordable housing stock and the subsidies flow directly to private landlords instead of supporting affordable housing service providers, senior housing developments, permanent supportive housing projects, and affordable housing for people with disabilities.

HACSD should develop a plan to increase the usage of PBVs to support the development of affordable housing development and preservation projects. This transition process will take time as existing vouchers become available through natural attrition. However, the federal government is currently debating a major expansion to the Housing Choice Voucher program which could significantly expand this resource.

The plan should include the following:

- An analysis of voucher attrition rates, voucher porting, projected fair market rents, and the projected number of vouchers available for PBV utilization over the next 5 years.
- An analysis of the PBV waitlist system. Given the small number of PBVs currently in use, HACSD currently maintains waiting list on a project-by-project basis rather than in a centralized system. HACSD should evaluate national best practices to assess if moving to a centralized waiting list would create greater efficiency, accessibility, and simplicity for

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households wishing to apply for PBV units. Further, HACSD should consider regional partnerships and coordination with other Public Housing Authorities to simplify and streamline various PBV and tenant-based voucher waitlist systems.

- Priorities for awarding project-based vouchers to housing projects located in low VMT areas, and for projects that include sustainable building materials and sustainable design principles, as certified by LEED, EnergyStar, BREEM or an equivalent sustainability certification body.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today's actions support the Sustainable Environments/Thriving Strategic Initiative in the County of San Diego's 2022-2027 Strategic Plan, as well as the County's Live Well San Diego vision, by providing funding for the development of affordable housing throughout the region.

Respectfully submitted,

TERRA LAWSON-REMER
Supervisor, Third District

VICE-CHAIR NORA VARGAS
Supervisor, First District

ATTACHMENT(S)

N/A

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AGENDA ITEM INFORMATION SHEET

WRITTEN DISCLOSURE PER COUNTY CHARTER SECTION 1000.1 REQUIRED

☐ Yes ☒ No

PREVIOUS RELEVANT BOARD ACTIONS:

N/A

BOARD POLICIES APPLICABLE:

N/A

BOARD POLICY STATEMENTS:

N/A

MANDATORY COMPLIANCE:

N/A

**ORACLE AWARD NUMBER(S) AND CONTRACT AND/OR REQUISITION
NUMBER(S):**

N/A

ORIGINATING DEPARTMENT: Board of Supervisors, Districts 1 and 3

OTHER CONCURRENCE(S): N/A

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