



# Boards of Commissioners Update

January 2020

## **Boards of Commissioners Update – January 2020**

### **Table of Contents**

<b>Topic:</b>	<b>Page</b>
<b>Update on 2019 Leasing and Housing Assistance Payments for the Housing Choice Voucher Program</b>	<b>3</b>
<b>Fresno Housing Operating Budget as of November 30, 2019</b>	<b>7</b>
<b>Update on HUD’s Expansion of the Moving to Work Program</b>	<b>12</b>

## BOARD UPDATE

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**TO:** Boards of Commissioners

Fresno Housing Authority

**DATE:** January 17, 2020

**AUTHOR:** Aurora Ibarra

**FROM:** Preston Prince, CEO/Executive Director

**SUBJECT:** Update on 2019 Leasing and Housing Assistance Payments for the Housing Choice Voucher Program

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### Executive Summary

The purpose of this memo is to update the Boards of Commissioners on November Housing Assistance Payments (HAP) and leasing activities, and projections for the remainder of 2019.

### City HCV

As previously reported, staff had applied for shortfall set-aside funding to eliminate the program's shortfall status. The department is pleased to report that the City program was recently awarded \$1.8m in shortfall set-aside funding. HUD's Shortfall Prevention Team (SPT) was satisfied with the Agency's shortfall mitigation actions and increased the program's funding to cover the shortfall. Staff continue to work with the HUD SPT and industry experts to mitigate any further shortfall. Should the program have an additional shortfall at year-end, HUD will increase the program's funding to cover the shortfall. At this time, staff is not projecting any additional shortfall in the City program.

HAP expenditures for the month of November totaled \$4,276,824 with a HAP utilization rate for the month of November of 114.7%. The overall projected HAP utilization rate is 108.8%. This projection of year-end reserves factors in a \$776 thousand reserve offset, which was calculated based on the 2019 beginning balance of \$5 million in reserves.

Current voucher utilization for the month of November is 101.7% with an overall projected voucher utilization for CY 2019 of 101.6%, which would earn the Agency maximum points for leasing under SEMAP. This would potentially place the program in overleased status; however, strategies have been set in place to mitigate that risk. The potential overleasing could require that the agency use unrestricted funds, which is expected not to exceed \$25,000. Staff began issuing new vouchers in January.

## **County HCV**

Similar to the City program, the County program was recently awarded \$900,000 of shortfall set-aside funds. Should the County program have an additional shortfall at year-end, HUD will increase the program's funding to cover the shortfall. At this time, staff is projecting an additional potential year-end shortfall of just under \$100,000.

HAP expenditures for the month of November totaled \$3,218,514 with a HAP utilization rate for the month of November of 106.6%. The overall projected HAP utilization rate is 109.2%. The County HCV program did not have any reserves offset in 2019.

Current voucher utilization for the month of November is 99.5% with an overall projected voucher utilization for CY 2019 of 101.9%, which would earn the Agency maximum points for leasing under SEMAP. This would potentially place the program in overleased status; however, strategies have been set in place to mitigate that risk. The potential overleasing could require that the agency use unrestricted funds, which is expected not to exceed \$25,000. Staff began issuing new vouchers in January.

## **Leasing Update**

Since current projections indicate low-to-insufficient reserves by end of the year, staff will continue to monitor HAP expenses and work with the HUD SPT to request additional shortfall funds, if needed. At this time, both programs are currently out of the shortfall protocol for 2020. Staff began issuing new vouchers in January and are developing stable leasing schedules that will allow us to better balance voucher and HAP utilization rates for 2020. Staff expects to present 2019 year-end leasing and HAP results at the March 2020 Boards of Commissioners Meeting.

# HCV Leasing and Spending Projection

## CA006 Two-Year Voucher Forecasting Summary

1/9/2020

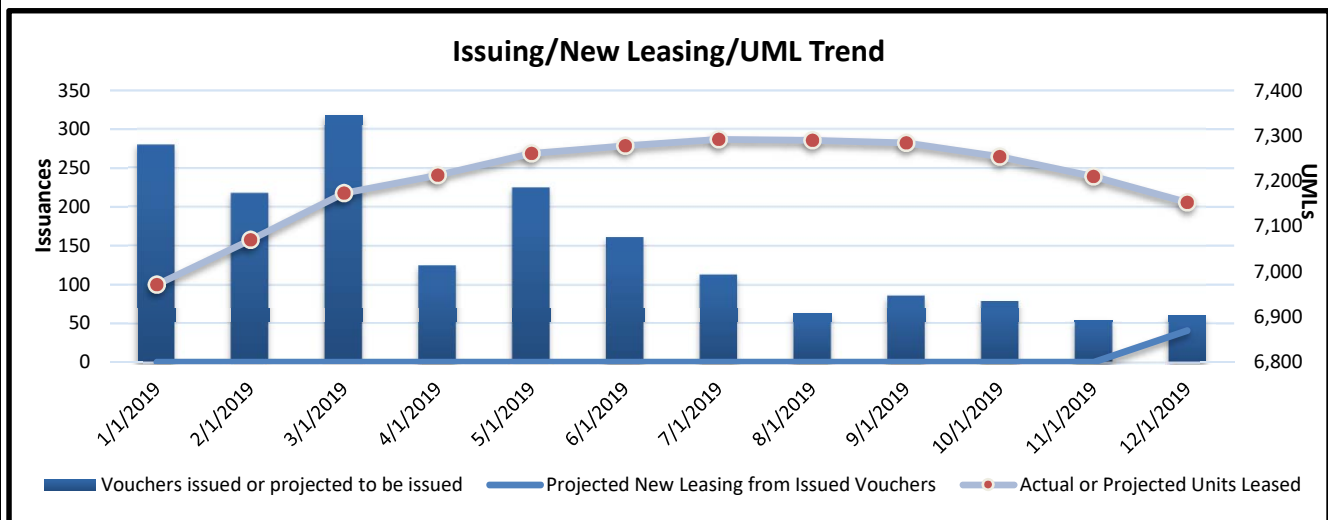
Prepared for: City Board of Commissioners

Prepared by: Housing Choice Department

Using the Housing Choice Voucher (HCV) Two-Year Tool, which allows a user to examine a PHA's voucher program under a variety of leasing, per-unit cost (PUC), and other key program scenarios, the attached tool estimates the program to end the current year with \$78,437, or 0% of budget authority. This scenario relies upon the following key variables:

Success Rate	Attrition Rate	Time from Issuance to HAP Effective Date	
(How many issued vouchers will go to HAP)	(What percent of participants annually leave)	(How fast do successful issuances lease up)	
45%	9.7%	Leased in	Percent
Year 1 PUC (Average monthly cost of a voucher - Year 1)		0-30 Days	5%
		31-60 Days	18%
		61-90 Days	18%
		91-120 Days	17%
\$587		121-150 Days	42%

This leasing scenario results in a total of 41 new lease-ups for the remainder of the year. Please see the below graph, which shows issued vouchers and associated leasing, as well as the total program UMLs, which takes into account attrition:



The PHA had an offset of \$776,526 this year. Additionally, the higher of this year's leased units (101.6%) or dollars (108.8%) is 108.8%, indicating full leasing indicator points in SEMAP. This estimate has been adjusted for VASH.

## CA006 Summary

HAP expenditures for November totaled \$4,276,824 with a HAP utilization rate for the month of November of 114.7%. Current voucher utilization for the month of November was 101.7% with an overall projected voucher utilization rate for CY 2019 of 101.6%. These utilization rates have been adjusted for VASH.

# HCV Leasing and Spending Projection

## CA028 Two-Year Voucher Forecasting Summary

1/9/2020

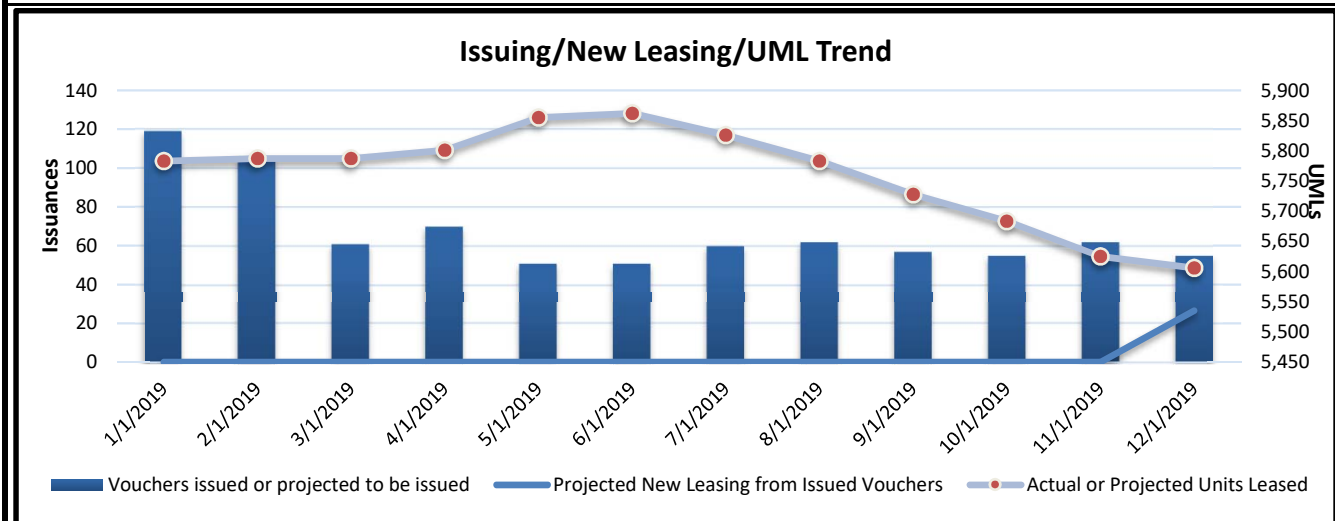
Prepared for: County Board of Commissioners

Prepared by: Housing Choice Department

Using the Housing Choice Voucher (HCV) Two-Year Tool, which allows a user to examine a PHA's voucher program under a variety of leasing, per-unit cost (PUC), and other key program scenarios, the attached tool estimates the program to end the current year with -\$73,040, or 0% of budget authority. This scenario relies upon the following key variables:

Success Rate	Attrition Rate	Time from Issuance to HAP Effective Date	
(How many issued vouchers will go to HAP)	(What percent of participants annually leave)	(How fast do successful issuances lease up)	
45%	9.7%	Leased in	Percent
Year 1 PUC (Average monthly cost of a voucher - Year 1)		0-30 Days	5%
		31-60 Days	18%
		61-90 Days	18%
		91-120 Days	17%
		121-150 Days	42%
\$573			

This leasing scenario results in a total of 27 new lease-ups for the remainder of the year. Please see the below graph, which shows issued vouchers and associated leasing, as well as the total program UMLs, which takes into account attrition:



The PHA had no offset for this year. Additionally, the higher of this year's leased units (101.9%) or dollars (109.2%) is 109.2%, indicating full leasing indicator points in SEMAP. This is an estimate.

## CA028 Summary

HAP expenditures for November totaled \$3,218,514 with a HAP utilization rate for the month of November of 106.6%. Current voucher utilization for the month of November was 99.5% with an overall projected voucher utilization rate for CY 2019 of 101.9%.

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**TO:** Boards of Commissioners  
Fresno Housing Authority

**DATE:** January 17, 2020

**AUTHOR:** Emily De La Guerra

**FROM:** Preston Prince, CEO/Executive Director

**SUBJECT:** Fresno Housing Operating Budget as of November 30, 2019

### Executive Summary

The purpose of this update is to present an overview of the financial operating results for the Fresno Housing Authority as of November 30, 2019. The attached financial report shows the consolidation of all Agency operational budgets. Previously, this monthly report showed these budgets summarized into six divisions. In order to provide additional detail and operational insight, the Agency budget will now be summarized into seven divisions. The Assisted Housing Division (AHD) will now be presented as two separate divisions: Housing Choice Voucher (HCV) and Resident Empowerment Services (RES). Additionally, the Planning & Community Development (P&CD) division will now be referred to as Real Estate Development (RED). These changes are for presentation purposes only and will not affect the total 2019 operating budget. Projections have been incorporated into the year-to-date budget to account for the timing of cash flows and known variable expenses. These adjustments were based on historical trends and the most current information available.

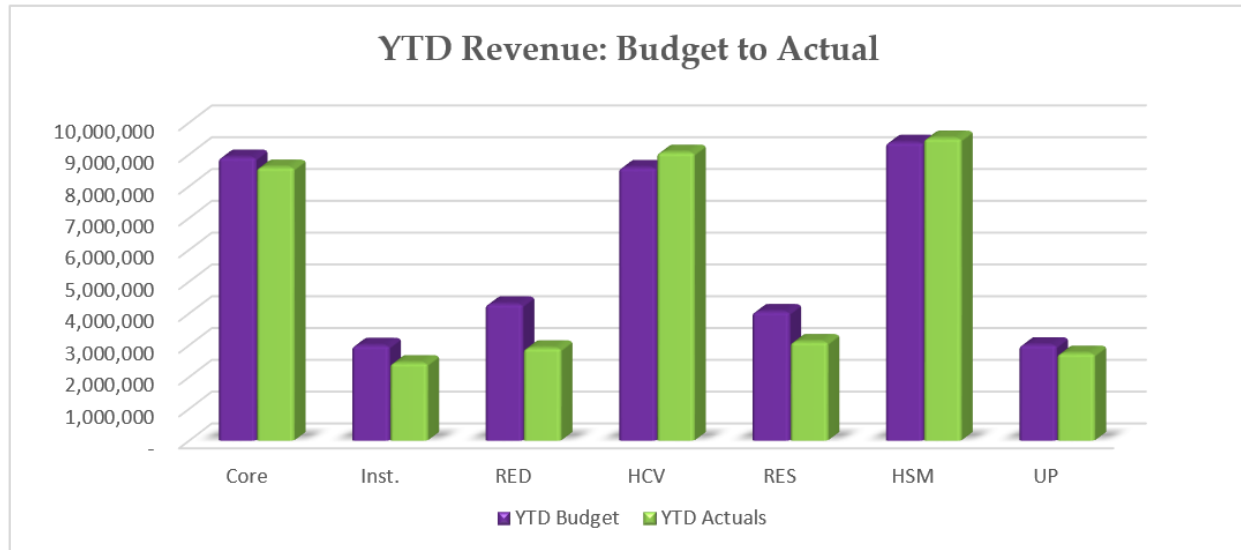
The 2019 Operating Budget was approved by the Boards of Commissioners in December 2018 with total revenues of \$45.9 million and total operating expenses of \$42.1 million. As of November, total revenues are \$38.4 million, which is \$2.8 million less than anticipated. However, total operating expenses are \$4.6 million less than budgeted at \$34 million through November. This puts net operating income at \$4.4 million, which is \$1.8 million better than budgeted. As of November, the Agency has utilized \$463 thousand in unrestricted reserves, which is \$1.5 million better than budgeted at this point in the year.

#### OPERATING BUDGET

TOTAL INCOME  
TOTAL EXPENSES  
**NET OPERATING INCOME**  
TOTAL NON-OPERATING EXPENSES  
**NET INCOME**  
**UNRESTRICTED NET INCOME**

Fresno Housing Authority			
	Annual Budget	YTD Budget	YTD Actuals
TOTAL INCOME	45,863,676	41,233,893	38,393,671
TOTAL EXPENSES	42,114,451	38,604,914	33,997,607
<b>NET OPERATING INCOME</b>	<b>3,749,225</b>	<b>2,628,980</b>	<b>4,396,064</b>
TOTAL NON-OPERATING EXPENSES	1,693,553	1,552,424	1,762,009
<b>NET INCOME</b>	<b>2,055,672</b>	<b>1,076,556</b>	<b>2,634,055</b>
<b>UNRESTRICTED NET INCOME</b>	<b>(1,124,696)</b>	<b>(1,951,281)</b>	<b>(463,899)</b>

## Agency Revenue



Core - Administrative Services departments including Accounting, Executive, Human Resources and Asset Management

Inst. - Instrumentalities: Wholly-owned subsidiaries of the Agency, including HRFC, HSIC, and Silvercrest

RED - Real Estate Development: Real Estate Development and Construction Management departments

HCV - Housing Choice Voucher programs

RES - Resident Empowerment Services: Resident Services and Homeless programs

HSM - Housing Management: Restricted, subsidized properties including all public housing, farm labor and migrant properties

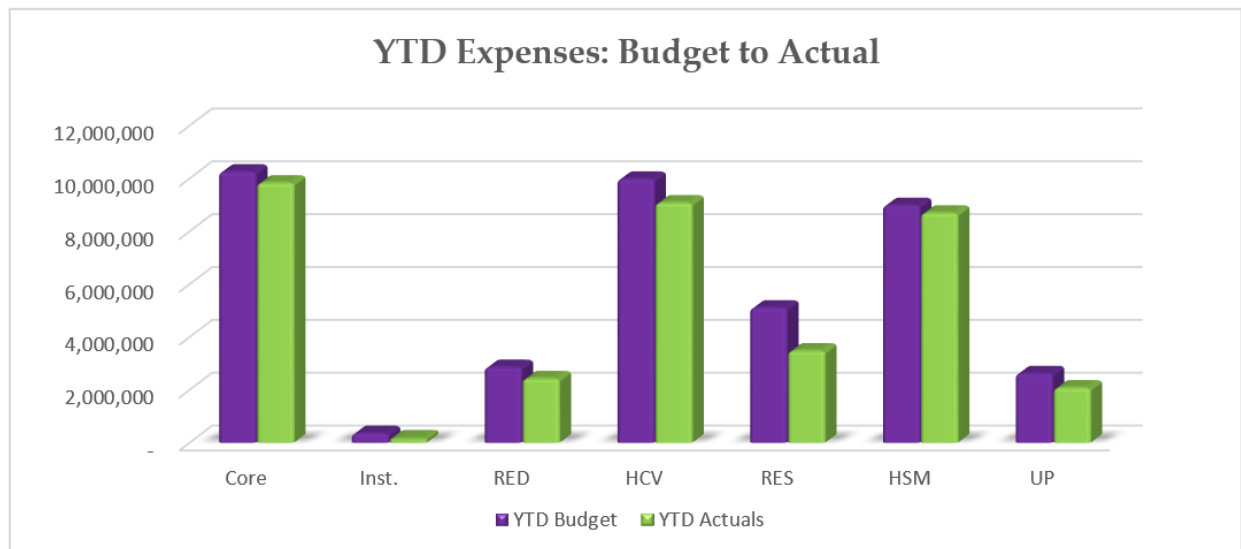
UP - Unrestricted Properties: Agency-owned non-subsidized properties, including Dayton, Woodside, El Cortez and San Ramon

Overall, year-to-date revenue is \$38.4 million, or 7% less than the year-to-date budget largely due to the timing of developer fees to RED.

- **RED:** No developer fees were received in November. Developer fees for several projects, including Villages @ Paragon, Linnaea Villas, and Solivita Commons were received in December and will be included as part of the Agency's year-end operating results report. These developer fees, totaling \$1.6 million, are projected to place the agency closer to break-even status in 2019 year-end unrestricted income.



## Agency Expenses



Core - Administrative Services departments including Accounting, Executive, Human Resources and Asset Management

Inst. - Instrumentalities: Wholly-owned subsidiaries of the Agency, including HRFC, HSIC, and Silvercrest

RED - Real Estate Development: Real Estate Development and Construction Management departments

HCV - Housing Choice Voucher programs

RES - Resident Empowerment Services: Resident Services and Homeless programs

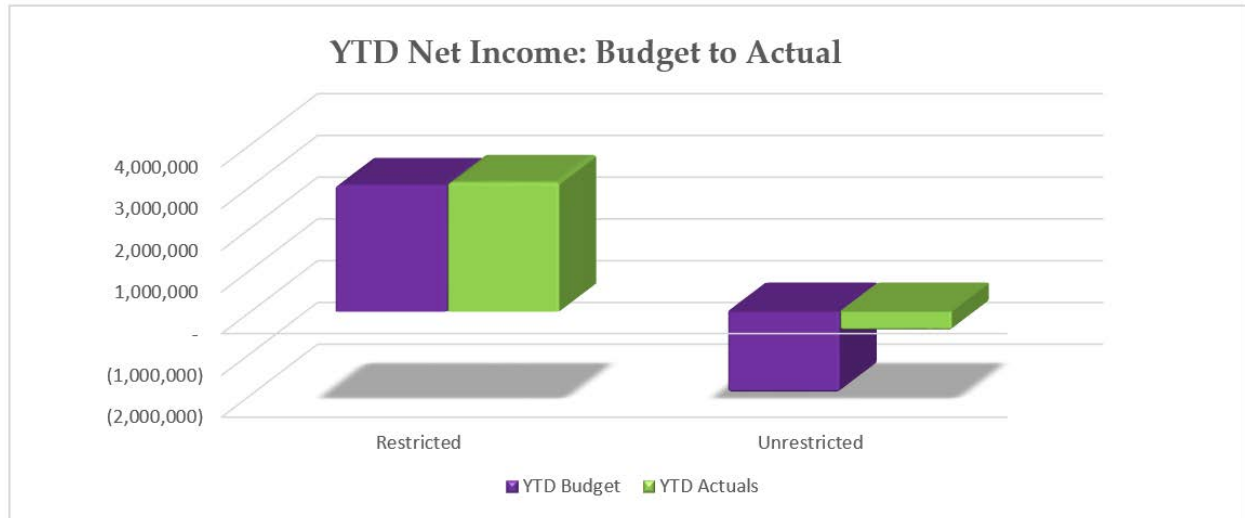
HSM - Housing Management: Restricted, subsidized properties including all public housing, farm labor and migrant properties

UP - Unrestricted Properties: Agency-owned non-subsidized properties, including Dayton, Woodside, El Cortez and San Ramon

Overall, year-to-date operating expenses are \$34 million and non-operating expenses are \$1.8 million, which together are about 11% lower than budgeted.

- **Agency-wide:** Payroll Expenses are approximately \$1.4 million (8%) lower than anticipated, mainly due to unfilled positions and/or planned hiring delays. Due to low unemployment rates and current labor market conditions, new recruitments and the backfilling of replacement positions are taking much longer than projected based on past trends. This is leading to delays in strategic initiatives across the Agency as key positions remain unfilled.
- **Agency-wide:** Administrative Expenses and Tenant Services Expenses are approximately \$2.6 million lower than budgeted across the Agency, mainly due to delays in launching the Making It Happen Pilot and Workforce Development programs within the Assisted Housing Division. The remainder is attributable to spending delays for the homeless services grants, including Shelter Plus Care, HOME TBRA and Project Liftoff. If these dollars remain unspent at fiscal year end, they can roll over into the next grant period.

## Agency Net Income



- Unrestricted net income is approximately \$1.5 million higher than budgeted as of November 2019. This variance will decrease at year-end as new pilot programs incur additional expenses, but staff expects that there will be some budgetary savings by fiscal year end.
- Restricted net income is approximately \$70 thousand higher than budgeted due to increased public housing operating subsidy revenue and lower payroll expenses positions within the Housing Management Division.

Fresno Housing Authority  
Financial Results as of November 30, 2019

	Core			Inst.			RED			HCV			RES			HSM			UP			Fresno Housing Authority			YTD \$ Variance	YTD % Variance
	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals		
OPERATING BUDGET																										
INCOME																										
NET TENANT INCOME	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,366,476	4,919,270	4,883,514	2,550,710	2,338,151	2,065,775	7,917,186	7,257,421	6,949,289	(308,132)	-4%
INTEREST INCOME	8,000	7,333	38,702	1,713,000	1,570,250	925,718	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,721,000	1,577,583	964,420	(613,163)	-39%
OTHER INCOME	974,000	892,833	753,781	1,350,000	1,350,000	1,500,000	170,000	155,833	411,507	800	733	486	1,156,905	1,060,497	997,763	25,996	23,830	65,012	712,302	652,944	676,972	4,390,003	4,136,670	4,405,521	268,851	6%
ADMIN & MANAGEMENT FEE INCOME	8,739,908	8,011,582	7,806,167	80,000	73,333	22,320	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,819,908	8,084,916	7,828,487	(256,429)	-3%
DEVELOPER FEE INCOME	-	-	-	-	-	-	5,521,860	4,141,395	2,501,646	-	-	-	-	-	-	-	-	-	-	-	-	5,521,860	4,141,395	2,501,646	(1,639,749)	-40%
HUD GRANT INCOME	-	-	-	-	-	-	-	-	-	9,326,878	8,549,638	8,914,602	2,792,033	2,559,363	1,467,199	4,282,660	3,925,772	4,083,907	-	-	-	16,401,570	15,034,773	14,465,708	(569,065)	-4%
OTHER GRANT INCOME	-	-	-	-	-	-	-	-	-	38,500	35,292	150,862	476,032	436,362	647,784	555,418	509,133	476,117	22,199	20,349	3,838	1,092,149	1,001,136	1,278,601	277,464	28%
TOTAL INCOME	9,721,908	8,911,749	8,598,650	3,143,000	2,993,583	2,448,038	5,691,860	4,297,228	2,913,153	9,366,178	8,585,663	9,065,950	4,424,970	4,056,222	3,112,746	10,230,550	9,378,004	9,508,550	3,285,211	3,011,443	2,746,584	45,863,676	41,233,893	38,393,671	(2,840,222)	-7%
EXPENSES																										
PAYROLL EXPENSES	7,023,013	6,437,762	6,000,591	-	-	-	1,450,179	1,329,331	1,321,516	5,997,896	5,498,071	5,003,774	1,586,997	1,454,747	1,295,895	2,422,006	2,220,173	1,956,200	487,913	447,253	400,449	18,968,005	17,387,338	15,978,425	(1,408,912)	-8%
ADMINISTRATIVE EXPENSES	3,418,339	3,133,478	3,232,670	382,150	350,304	114,296	1,645,312	1,508,203	1,100,195	4,798,030	4,398,194	4,013,119	1,004,581	920,866	487,635	1,875,579	1,719,281	1,580,236	332,471	304,765	252,291	13,456,463	12,335,091	10,780,442	(1,554,650)	-13%
TENANT SERVICES EXPENSES	51,000	46,750	54,703	-	-	-	5,000	4,583	-	-	-	155	2,967,050	2,719,796	1,680,909	246,757	226,194	209,793	6,450	5,913	2,066	3,276,257	3,003,235	1,947,626	(1,055,609)	-35%
UTILITY EXPENSES	172,144	157,799	149,690	-	-	-	-	-	-	-	-	-	-	-	-	1,737,628	1,592,826	1,472,514	458,690	420,466	360,476	2,368,462	2,171,090	1,982,680	(188,410)	-9%
MAINTENANCE EXPENSES	474,662	435,107	351,470	-	-	-	9,000	8,250	10,555	81,969	75,138	57,780	10,930	10,019	14,507	2,024,446	1,855,743	1,731,085	891,435	817,148	594,213	3,492,442	3,201,405	2,759,610	(441,796)	-14%
TAXES & INSURANCE EXPENSES	44,300	40,608	43,898	8,900	8,158	7,183	6,600	6,050	(2,517)	7,451	6,830	6,087	-	-	561	419,546	384,584	414,847	66,025	60,523	78,765	552,822	506,753	548,824	42,070	8%
TOTAL EXPENSES	11,183,459	10,251,504	9,833,022	391,050	358,463	121,479	3,116,092	2,856,417	2,429,749	10,885,345	9,978,233	9,080,915	5,569,559	5,105,429	3,479,507	8,725,963	7,998,799	7,364,675	2,242,984	2,056,068	1,688,260	42,114,451	38,604,914	33,997,607	(4,607,307)	-12%
NET OPERATING INCOME	(1,461,551)	(1,339,755)	(1,234,372)	2,751,950	2,635,121	2,326,559	2,575,768	1,440,811	483,404	(1,519,168)	(1,392,570)	(14,965)	(1,144,589)	(1,049,206)	(366,761)	1,504,587	1,379,205	2,143,875	1,042,227	955,375	1,058,324	3,749,225	2,628,980	4,396,064	1,767,084	67%
NON-OPERATING EXPENSES																										
TOTAL NON-OPERATING EXPENSES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	543,556	498,260	946,101	287,600	263,633	5,365	831,156	761,893	951,466	189,573	25%
TOTAL FINANCING EXPENSES	-	-	-	-	-	42,033	-	-	-	-	-	-	-	-	-	532,613	488,229	384,346	329,784	302,302	384,164	862,397	790,531	810,543	20,012	3%
TOTAL ADJUSTMENTS & OPERATING TRANSFERS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%
TOTAL NON-OPERATING EXPENSES	-	-	-	-	-	42,033	-	-	-	-	-	-	-	-	-	1,076,169	986,489	1,330,447	617,384	565,935	389,529	1,693,553	1,552,424	1,762,009	209,585	14%
NET INCOME	(1,461,551)	(1,339,755)	(1,234,372)	2,751,950	2,635,121	2,284,526	2,575,768	1,440,811	483,404	(1,519,168)	(1,392,570)	(14,965)	(1,144,589)	(1,049,206)	(366,761)	428,418	392,716	813,428	424,843	389,440	668,795	2,055,672	1,076,556	2,634,055	1,557,499	145%
UNRESTRICTED NET INCOME	(1,461,551)	(1,339,755)	(1,234,372)				2,575,768	1,440,811	483,404	(1,519,168)	(1,392,570)	(14,965)	(1,144,589)	(1,049,206)	(366,761)				424,843	389,440	668,795	(1,124,696)	(1,951,281)	(463,899)	1,487,382	76%

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**TO:** Boards of Commissioners

Fresno Housing Authority

**DATE:** January 17, 2020

**AUTHOR:** Emily De La Guerra

**FROM:** Preston Prince, CEO/Executive Director

**SUBJECT:** Update on HUD's Expansion of the Moving to Work Program

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### Executive Summary

The purpose of this memo is to give the Boards of Commissioners an update on the Fresno Housing Authority's application for the Moving to Work (MTW) program, offered by the U.S. Department of Housing and Urban Development (HUD).

In May 2019, the Boards approved the submission of a Letter of Intent to HUD stating the Agency's desire to obtain MTW status under the program expansion. In December 2019, the Agency received notification from HUD that our Letter of Intent was accepted, and based on the materials submitted, the Agency was deemed eligible to participate in the full application process. No timeline has been given by HUD on when the full applications will be due.

More information on the MTW program can be found in the May 2019 Board Packet. Staff will continue to update the Boards of Commissioners as more information becomes available.

### Background Information

The Moving to Work Demonstration Program began in 1996 and there are currently 39 MTW housing authorities nationwide. In 2016, an MTW Expansion Statute was passed, which requires HUD to increase the MTW Demonstration Program by 100 PHAs over seven years. PHAs must be selected from High Performers in either SEMAP or PHAS, represent geographic diversity across the country, and administer HCV's only, public housing only or both HCV's and public housing.

On March 14, 2019, HUD issued PIH Notice 2019-04, which offered eligible PHA's the opportunity to express interest in admission to the MTW program under Cohort #2, which would test rent reform policies and their impacts on families. Interested PHA's that met the eligibility criteria must have submitted a Letter of Interest package to HUD by June 12, 2019, which both the Housing Authority of the City of Fresno and the Housing Authority of Fresno County did.

Those PHAs that meet the eligibility requirements, as determined by HUD, will be invited to submit a full application for Cohort #2.