COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Department of Housing

Date: April 18, 2016
Board Meeting Date: May 10, 2016
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Ken Cole, Executive Director, Housing Authority

Subject: Contract for Rent Study of the San Francisco HUD Metro FMR Area

RECOMMENDATION:
Acting as the Governing Board of Commissioners of the Housing Authority of the County of San Mateo, adopt a resolution authorizing:

A) The Housing Authority of the County of San Mateo (HACSM) to partner with the San Francisco Housing Authority (SFHA) and the Housing Authority of the County of Marin (Marin HA) to initiate a rent survey of the tri-county San Francisco HUD Metro FMR Area for submission to the U.S. Department of Housing and Urban Development (HUD); and

B) The Executive Director of HACSM, or the Executive Director's designee, to execute a contract with ICF Macro, Inc. to complete the rent study and report; and

C) The Executive Director of HACSM, or the Executive Director's designee, to execute a Memorandum of Understanding with SFHA and Marin HA describing the roles and responsibilities of each of the housing authorities with respect to the rent study, including the shares of the contract fee to be paid by each housing authority; and

D) HACSM to accept and administer funds from the SFHA and Marin HA to pay their respective portions of the contract fee based on the contract between HACSM and ICF Macro, Inc.

BACKGROUND:
In July 2016 HUD will begin using zip code-level rental data to designate Difficult Development Areas (DDAs), in a move from HUD Metro FMR Area-wide designation to Small Area DDAs (SADDAs) based upon zip code-level American Communities Survey (ACS) data collected three years earlier. Under the old designation process using HUD

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Metro FMR Areas (HMFAs), the entire San Francisco HMFA, made up of San Mateo, San Francisco and Marin counties, was typically designated a DDA. Under the SADDA designation process, beginning July 1, 2016, only 13 of 52 San Mateo County zip codes will retain status as SADDAs, and most of these cover largely undevelopable areas like SFO and small coastal and mountain communities.

The Low Income Housing Tax Credit (LIHTC) program is the country's largest source of funding for affordable housing production and preservation. In California, the LIHTC program is administered by the California Tax Credit Allocation Committee (CTCAC), and its partner, the California Debt Limit Allocation Committee (CDLAC), which oversees the allocation of tax exempt bonds that are paired with CTCAC's 4% tax credits to fund affordable housing across the state. In order to qualify for the 30% "basis boost" in a CDLAC-sponsored 4% tax credit project, the site must be located in a DDA/SADDA, or in a Qualified Census Tract (Census tracts with high proportions of low income residents), of which the County has very few. The basis boost allows tax credit projects to qualify for 30% more LIHTC and tax credit equity to fund development costs. Affordable housing projects in areas that lose DDA status will need millions of dollars of additional local subsidy to make up for lost tax credit equity. Some affordable housing projects approaching the commencement of construction could even be rendered infeasible. CDLAC estimates that the change from the DDA to SADDA designation process would have cost the state roughly $45 million in tax credit subsidy in 2015 alone, including $1.7 million for a 92-unit project in San Mateo County.

HUD designates SADDAs by comparing the Fair Market Rent (FMR) for each zip code (Small Area FMR, or SAFMR) to the LIHTC rent for the entire HMFA, with the HMFA LIHTC rent serving as HUD's proxy for regional development costs. In this way, the ratio is meant to compare local (zip code-level) rents to regional development costs. HUD generates this ratio for every zip code nationwide and designates those with the highest ratios as SADDAs, until enough zip codes are designated to include 20% of the U.S. population. As such, increasing the FMR for a zip code (the numerator of the ratio), would make the zip code more likely to be included above the 20% population cut-off.

HUD will calculate SAFMRs using more recent rental data if the data presented covers the entire HMFA and is collected according to published HUD guidance. Since San Mateo County and the larger Bay Area region has seen rents increase dramatically in recent years, current rental data is expected to reflect higher costs than the outdated American Communities Survey data HUD would use to calculate FMRs, which would result in higher zip code-level SAFMRs. The higher SAFMRs would then be used in designating 2017, 2018, and 2019 SADDAs. The data could also increase the 2017 and 2018 FMR for the HMFA, which would allow HACSM, SFHA and Marin HA to pay higher rents under their respective Section 8 programs. Data consultant ICF Macro, Inc. (ICF) recently completed a similar study of the Oakland-Fremont HMFA, made up of Alameda and Contra Costa Counties, resulting in a 33% increase to that HMFA's 2015 FMR.

DISCUSSION:

HACSM seeks the Board's approval to partner with SFHA and Marin HA to initiate a rent survey of the San Francisco HUD Metro FMR Area comprised of San Mateo, San Francisco and Marin counties. HACSM also seeks the Board's approval to execute a contract with ICF Macro, Inc. in the amount of $108,472 to carry out the survey and prepare a corresponding report for submission to HUD on behalf of the partnering authorities. HACSM additionally seeks approval from the Board to execute a Memorandum of Understanding (MOU) with SFHA and Marin HA describing the roles and responsibilities of each authority in the process of contracting with ICF. The MOU will specify that:

- For simplicity, HACSM will singularly contract with ICF and administer the contract on behalf of SFHA and Marin HA.
- ICF's fee will be split pro-rata based upon the number of Section 8 vouchers administered by each authority. As a result, the estimated shares for each authority will be approximately $59,660 for SFHA, $32,542 for HACSM and $16,270 for Marin HA.
- SFHA and Marin HA will deliver checks in the amounts described above to HACSM upon execution of the ICF contract.
- HACSM will accept funds in the amounts described above from SFHA and Marin HA and administer payments of the entire $108,472 fee according to the executed contract.
- HACSM will provide the ICF-HACSM contract to SFHA and Marin HA for review by close of business on April 20, 2016.
- SFHA and Marin HA will provide any comments to the contract by April 27, 2016.
- Upon receipt, HACSM will provide copies of all ICF work submissions as well as evidence of approved payments to any staff designated by SFHA and Marin HA.
- In the unlikely event any contract funds are not spent, the remainder will be split pro-rata and returned to the three HA's according to the percentages used in determining cost-sharing of the ICF contract fee.

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Any material changes to these MOU terms would require additional Board approval. HACSM finally requests Board approval to accept and administer funds from SFHA and Marin HA to cover their financial shares of the ICF contract. Upon completion of the rent study, the results will be presented to the Governing Board of Commissioners for public comment.

The resolution has been reviewed and approved as to form by County Counsel. Approval of this Resolution contributes to the Shared Vision 2025 outcome as a Livable Community by increasing the overall supply of affordable housing.

PERFORMANCE MEASURE(S):

Measure	FY 2015-16 Actual	FY 2016-17 Projected
N/A		

FISCAL IMPACT:
This item will be funded entirely by HACSM and its partners, SFHA and Marin HA, and will have no net fiscal impact to the County of San Mateo.