

CITY OF SANTA ROSA  
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS  
FROM: REBECCA LANE, HOUSING AND COMMUNITY SERVICES  
MANAGER  
SUBJECT: HOUSING AND COMMUNITY SERVICES  
HOUSING CHOICE VOUCHER PROGRAM ADMINISTRATIVE  
PLAN REVISION – UTILITY ALLOWANCES IN THE PROJECT-  
BASED VOUCHER PROGRAM

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Housing Authority, by resolution, adopt the revisions to the Housing Choice Voucher Program Administrative Plan Chapter 17 – Project Based Vouchers to allow eligible units where the owner is participating in the Low-Income Housing Tax Credit Program (LIHTC) and utilizing a utility allowance that has been created with the California Utility Allowance Calculator (CUAC) to use the CUAC in the PBV assisted units if approved by the Department of Housing and Urban Development.

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EXECUTIVE SUMMARY

The Administrative Plan is the major policy document guiding the ongoing administration of the federally regulated Housing Choice Voucher (HCV) program. Where allowed under law, the U.S. Department of Housing and Urban Development (HUD) permits local jurisdictions to establish policies pertaining to the program. Chapter 17 of the Santa Rosa Housing Authority Administrative Plan outlines the policies regarding the use of Project Based Vouchers within the HCV program. The Administrative Plan policies regarding PBVs are in need of revision to allow eligible units where the owner is participating in the Low-Income Housing Tax Credit Program (LIHTC) and utilizing a utility allowance that has been created with the California Utility Allowance Calculator (CUAC) to use the CUAC in the PBV assisted units if approved by the Department of Housing and Urban Development.

## BACKGROUND

The Department of Housing and Community Services (HCS) administers the HCV program for the City of Santa Rosa Housing Authority (Housing Authority). The HCV program, formerly known as Section 8, is a federally funded rental assistance program for qualifying extremely low and very low-income households. The Housing Authority currently has 1,903 vouchers under its Annual Contributions Contract (ACC) with HUD. In addition, the HCV program administers assistance for approximately 275 Santa Rosa households utilizing vouchers from other jurisdictions, referred to as “port-ins.”

The HCV program provides a form of tenant-based rental assistance in which the voucher holder pays 30% of their monthly adjusted income towards the rent in a property of their choice; the Housing Authority pays the balance of the rent directly to the owner. The Project Based Voucher (PBV) program is a component of the HCV program that allows a Public Housing Authority (PHA) to attach a certain percentage of its vouchers to units in specific projects; this percentage limitation is known as the PBV “program cap.” In the PBV program, a property developer agrees to set aside a portion of the units in a new, rehabilitated, or existing housing development for voucher holders that are referred through the PHA. The PBV program helps promote affordable housing development and preservation by allowing housing developers to leverage the PBV funds to secure other forms of financing for their projects.

Different funding sources used for affordable housing development have different requirements regarding the calculation of tenant utility allowances. Utility allowances are projections of average out-of-pocket utility costs to each resident of the project and are used to ensure that the tenant rent, when combined with the utility cost, remains affordable. The Public Housing Agency (PHA) utility allowance is often the default methodology when there are multiple funding sources, but it is widely recognized in the industry, particularly in California where building codes require high energy efficiency standards for new construction, that the PHA utility allowance may not be as accurate as newer models that account for energy efficiency standards.

Projects that use PBVs must use the PHA utility allowance unless the PHA permits the use of an alternate utility allowance in its Administrative Plan policies and seeks approval from the Department of Housing and Urban Development (HUD).

## PRIOR HOUSING AUTHORITY REVIEW

On March 26, 2007, the Housing Authority authorized staff to design a PBV program.

On August 27, 2007, the Housing Authority adopted the policies outlining the PBV program, which were incorporated as Chapter 22 in the Administrative Plan.

HOUSING CHOICE VOUCHER PROGRAM ADMINISTRATIVE PLAN REVISION –  
UTILITY ALLOWANCES IN THE PROJECT-BASED VOUCHER PROGRAM  
PAGE 3 OF 5

On December 17, 2012, the Housing Authority adopted numerous revisions to the Administrative Plan, including regulatory changes related to the PBV program and moving the policies in the Administrative Plan from Chapter 22 to Chapter 17.

On April 26, 2021, the Housing Authority adopted changes allowed under the Housing Opportunity Through Modernization Act of 2016 (HOTMA) to increase the number of units available for project-basing (program cap) from 20 percent to 25 percent, so long as the units are set aside for people who are homeless or are veterans. The revisions adopted also included minor language updates necessary under HOTMA.

### ANALYSIS

The current PBV program policies in the Administrative Plan allow for a program cap of 25% of the units in the ACC to be set aside for PBVs. Since 2007 when the PBV program was enacted locally, 399 vouchers have been set aside for use as PBVs, an equivalent of 21% of the current 1903 ACC units. Of the 399 units, 210 are operational in existing developments, 92 are in projects currently under construction and 97 are allocated to developments that have not yet begun construction. The 399 PBV units are scattered across 18 projects with a total of 1,015 affordable housing units.

Housing developers in Santa Rosa continue to show interest in strategically utilizing using PBVs in affordable projects. Project-basing units allows a developer to assume Fair Market Rate (FMR) rents on the PBV units in their cash flow projections, while also ensuring that those same units will be affordable to extremely low and very low income families.

In new construction affordable housing projects, developers combine multiple sources of funding to achieve financial viability. It is common for PBVs to be used in projects that have been awarded Low Income Housing Tax Credits (LIHTC). Utility allowances for the PBV program and LIHTC program are established through different processes. This causes utility allowances for PBV units to vary substantially vary from the utility allowances approved by the LIHTC program for non-PBV units even though the building characteristics for the residential units are substantially the same.

The methodology behind the PHA utility allowance does not consider new construction standards and practices or the above-code energy efficiency investments commonly made by developers of tax credit projects and do not accurately reflect the lower energy consumption and costs associated with LIHTC projects. It is commonly understood among affordable housing organizations that the overstatement of energy consumption and costs adversely affects the property's ability to cover added investment costs for high efficiency measures and may also affect the underlying cash flow and financial stability of the property.

This disparity was formally recognized by the IRS and resulted in an amendment to its regulations governing utility allowances, § 1.42–10. On July 29, 2008, the IRS issued a Final Notice permitting use of alternative approaches for estimating tenant utility costs including the use of utility allowance estimates set by state housing finance agencies, use of HUD’s Utility Schedule Model, or use of an energy consumption model.

Following issuance of the IRS rule, the California Tax Credit Allocation Committee (CTCAC) authorized use of an energy consumption model developed by the California Energy Commission. The model, known as the California Utility Allowance Calculator (CUAC), is widely used by tax credit properties in California. The utility cost estimates calculated through this model more accurately reflect utility consumption than the standard PHA utility allowance.

The proposed revision to the Administrative Plan policies regarding PBVs would allow for eligible units where the owner is participating in the LIHTC program and utilizing a utility allowance that has been created with the CUAC to use the CUAC in the PBV-assisted units if approved by the Department of Housing and Urban Development.

The proposed revisions to the Administrative Plan’s PBV policies are provided as Attachment 1 in a redlined version of Chapter 17 – Project Based Vouchers.

### FISCAL IMPACT

The proposed changes to the Administrative Plan do not have a fiscal impact on the HCV program; the funding is already available under the ACC with HUD.

### ENVIRONMENTAL IMPACT

The Housing Authority finds that the proposed action to update the policies in the Administrative Plan is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and no further environmental review is required.

Proposed PBV projects must each complete an environmental review prior to entering into contract with the PHA.

### BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

HOUSING CHOICE VOUCHER PROGRAM ADMINISTRATIVE PLAN REVISION –  
UTILITY ALLOWANCES IN THE PROJECT-BASED VOUCHER PROGRAM  
PAGE 5 OF 5

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – Housing Choice Voucher Program Administrative Plan Chapter 17: Project-Based Vouchers, redline version
- Resolution

CONTACT

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