



Report and Discussion on CalHFA's Administration of Federal Rental Assistance Programs

February 6, 2020

CalHFA Administers Subsidy Vouchers on Two Separate Programs:

1. Section 8 Rental Assistance Program (“Section 8”)
2. Section 811 Project Rental Assistance Program (811 PRA)

Over the course of this presentation, I will discuss CalHFA’s historical and current role as a Traditional Contract Administrator under Section 8 and a Grantee under the 811 PRA program.

Section 8 :

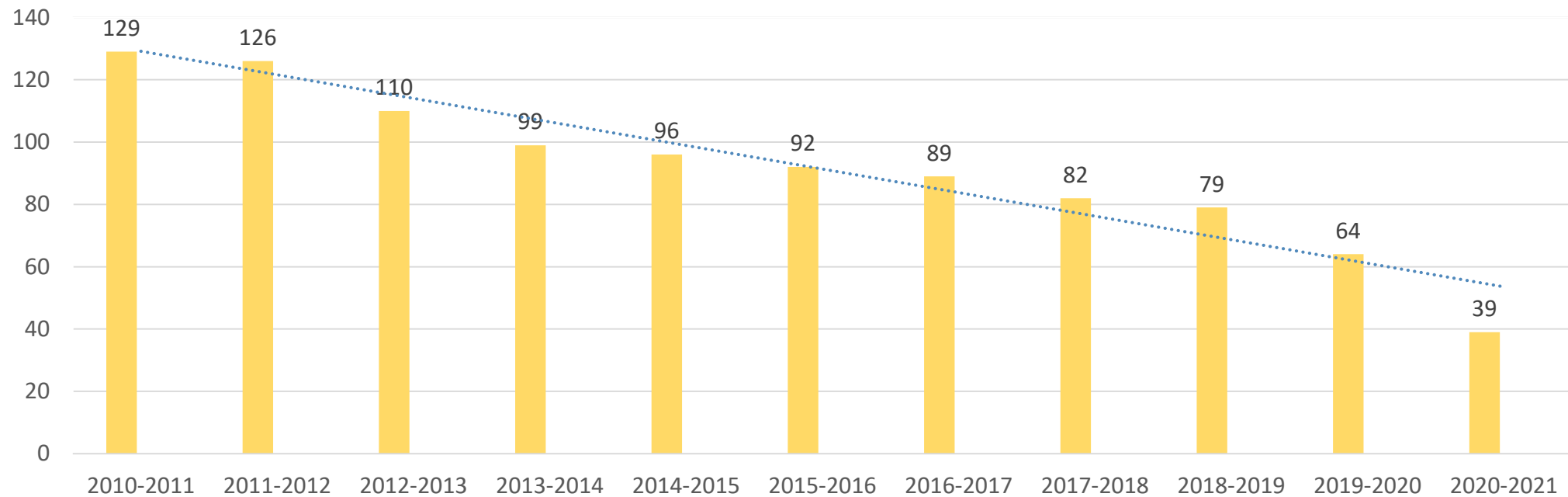
- For over 30 Years, CalHFA has acted as the Traditional Contract Administrator (“TCA”), managing a pool of Section 8 Housing Assistance Payments Contracts (“HAP Contracts”).
 - Over the last 10 years (2010-2020), CalHFA has administered as many as 129 Projects (Although, historical records reflect as many as 154 Projects dating back to 2002.)
 - Over the past 7 years, as the TCA, CalHFA has received, on average, \$1.6M annually in administration fees.

Section 8 Continued:

- CalHFA currently administers 64 HAP Contracts, although this has diminished over the past 10 years from 129 Contracts. Since 2010, HUD has withdrawn 65 Projects managed by CalHFA as the TCA. The Projects were withdrawn for various reasons that include:
 - loan fully repaid
 - expiration of Annual Contribution Contract (“ACC”)
 - HAP contract is renewed under The Mark-Up-to-Market Program
- Once withdrawn, HAP Contracts are either assigned to HUD as Contract Administrator or assigned to HUD’s Performance Based Contract Administrator (“PBCA”)

Section 8 continued:

In November 2019, HUD Terminated CalHFA's TCA role on an additional 14 HAP Contracts, with more recent communication that an additional 20-25 TCA's would be terminated, effective June 1, 2020, as reflected in the chart below for FYE 2020-2021.



Section 8 Continued:

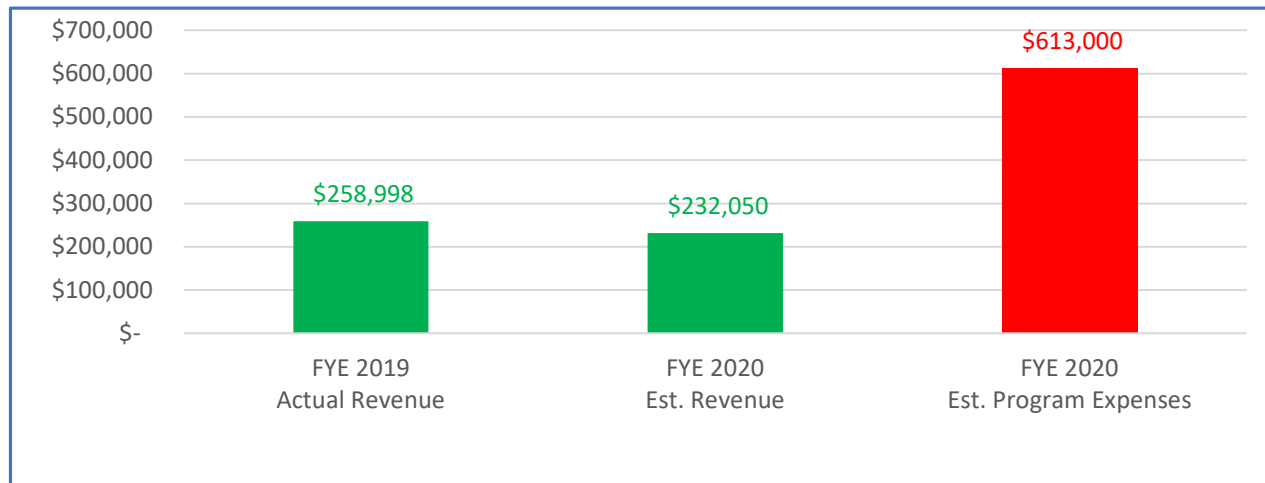
- HUD has verbally communicated their intent is to move all HAP contacts to the PBCA platform and/or to HUD as Contract Administrator, although no specific timeline has been provided.
- Based on the continued withdrawal of TCA's, CalHFA finds the program is no longer economically feasible.

Section 8 Continued:

- Economic Downside:
 - FYE 6/30/2020 Projections:
 - Revenue - \$2,121,127 (includes an estimated \$700M in back administration fees collected in current Fiscal Year)
 - Expenditures- \$3,021,124 (Direct and Indirect Staff Costs)
 - Staffing:
 - 7 Fulltime Staffers
 - 5 Part time staffers
 - With the termination of the 14 TCA's and possibility of the loss of an additional 20-25 by 6/01/2020, revenue is expected to continue to fall below the annual average of \$1.6MM.
 - As of 1/31/2020, CalHFA is currently due an estimated \$225,358 in past due administration fees, which date back to July 2018

811 PRA Program:

- CalHFA administers vouchers for the HUD 811 PRA Program.
 - CalHFA currently manages 14 Active Projects
 - 178 – Units
 - 115 Subsidized Units
 - 39 - Vacant Units
 - 34 - Unavailable Units (this number will diminish over time as units become available)
 - \$258,998 – FYE 6/30/2019 Actual Revenue
 - \$232,050 – FYE 6/30/2020 Estimated Revenue
 - \$613,000 – Estimated Program Expenses (Direct and Indirect)



Wrap-up:

- Section 8 :
 - In conclusion, based on expenditures associated with administering the Section 8 Program, and HUD's decision to have either a PBCA or HUD administer the programs going forward, CalHFA doesn't believe it is cost effective to continue administration of the remaining 39 TCA's.
 - As a result, CalHFA responded to HUD with a schedule to assist with facilitating transfer of all TCA's by 12/31/2020.
 - CalHFA's recommendation anticipates the \$252M in past due Administration Fees will be paid to CalHFA, as originally agreed.
 - This decision will allow for the redeployment of staff to support core business activities and eliminate the need to maintain an expensive software system used primarily to support the vouchering and compliance management of the TCA program.
- 811 PRA :
 - While not profitable nor a dependable back-fill for Section 8, CalHFA is required to retain administration of the 811 PRA Program for the unforeseeable future.
 - 811 PRA requires oversight from a State Agency experienced with processing of vouchers
 - CalHFA's obligations are the result of our response to the original NOFA for administration of the 811 PRA Program.
 - Despite this fact, management is evaluating whether it makes sense for CalHFA to continue to apply and administer future rounds of 811 PRA.



California Housing Finance Agency
