City of Alameda California

September 16, 2026

Board of Commissioners
Housing Authority of the City of Alameda
701 Atlantic Avenue
Alameda, California 94501

**Re: Item 7-B – Project Based Voucher Consideration for Stardust Gardens**

Dear Chair Grob and Board of Commissioners:

The City of Alameda has had a chance to review the amended detailed staff report from the Housing Authority of the City of Alameda ("AHA"), which was released this morning. The staff report lays out several options for the Board of Commissioners on page 5.

The City would like to recommend an alternative action for the Board of Commissioners to consider. Specifically, direct AHA staff to immediately issue a letter of commitment to MidPen Housing for issuance of a budget-neutral proportion of 25 project based vouchers (PBVs) for Stardust Gardens based on the current allocation to Alameda Point Collective (APC), contingent on termination of the 25 existing APC vouchers, and contingent on MidPen being awarded Low Income Housing Tax Credits for this project.

This approach directly addresses AHA's stated budgetary concerns by offering an immediate budget neutral solution, while also addressing AHA's stated concerns around a competition by using the Tax Credit Allocation Committee process, which is a state-level competitive process that has not in any way assumed PBVs would be provided. The City sees no reason this would not be possible to do tonight.

Further the City recommends that the AHA Board of Commissioners demonstrate an actual commitment to supporting the RESHAP project by directing staff to further explore ways to expand the PBV commitment for this project to 30 actual cost PBVs as requested by MidPen if the budget will allow, prior to completion of construction, and again, contingent on the TCAC award process.

It was further the City's understanding that the Board of Commissioners on August 19 had directed AHA staff to return with greater detail on the future budget forecast. It does not appear there is greater budget detail provided for future years. Therefore, the City has asked its consultant to evaluate AHA's budget health based on the information provided to date. This background is shared below, with further information provided to the City Council at its September 1 meeting.

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## CITY ANALYSIS OF BUDGET IMPACTS FROM STARDUST GARDENS

- **No FY 2027 budget impact.** The Stardust Gardens units are not expected to be occupied until late FY 2029 or early FY 2030, well after the period AHA's current funding concerns address. Entering into an agreement now does not create an immediate obligation.

- **The likely impact to AHA's budget is smaller than AHA's estimate.** AHA's estimate of $1.1 to $1.3 million assumes all 30 units are filled by entirely new families. In practice, many units are likely to be filled by families AHA already assists, which brings the estimated additional impact down to approximately $316,000 to $516,000.

- **Any temporary funding gap can be covered by City.** Because HUD bases its funding on the prior year's spending, there may be a one-year lag before HUD funding reflects these new costs. The City is willing to cover AHA's costs during that period.

- **Concerns about the FY 2027 inflation factor (RFIF) are premature.** AHA's concern about a possible zero-percent inflation adjustment relates to FY 2027, years before this commitment would actually require funding.

### Why a Short-Term Budget Impact Does Not Signal a Long-Term Funding Problem

Because the Department of Housing and Urban Development (HUD) bases AHA's funding on prior-year spending, new commitments like Stardust Gardens may cause a short-term budget gap, but that gap closes as HUD's funding catches up in the following year.

AHA's Housing Choice Voucher renewal funding is based on the funding methodology established by Congress and implemented by the Department of Housing and Urban Development (HUD). For the calendar year 2026 funding cycle, renewal funding is based on validated Voucher Management System ("VMS") leasing and cost data for the prior calendar year, with an inflation factor established by HUD and any applicable national proration.

AHA's participation in its Moving to Work ("MTW") cohort does not provide for a different calculation of its annual renewal funding. The difference applicable to AHA is that eligible non-HAP MTW expenses under Section 8(o) of the United States Housing Act of 1937 may be added to the annual funding formula.

As illustrated in the Federal Register notice applicable to AHA's MTW cohort, <u>if an MTW agency expends $3.6 million on HAP and $400,000 on eligible non-HAP MTW expenses during a calendar year, its HCV HAP renewal funding eligibility for the following calendar year would be $4 million,</u> subject to the applicable renewal funding inflation factor, eligibility cap, and national proration. Essentially, HUD funding each year is based on the prior years expenditures plus an inflation factor.

This funding methodology is important when considering the timing and potential financial effect of the requested Stardust Gardens PBV commitment because although there could potentially be a budget impact on AHA in the first year that PBVs are actually funded, in subsequent years, AHA's funding formula will include those expenses and those expenses will be funded by HUD.

**AHA's FY 2027 Concerns Compared to the Project Timeline**

AHA's stated funding concerns for FY 2027 are based on a timeline that does not match when the Stardust Gardens units will actually require HAP funding.

In its September 16, 2026 initial Agenda Package, AHA stated that the developer's timeline anticipates that the Stardust Gardens units would be placed under an Agreement to Enter into a Housing Assistance Payments Contract ("AHAP") in approximately May or June 2027.

AHA further states that it could not confirm that sufficient funding would be available for the new vouchers without placing AHA at risk of a shortfall. AHA also expressed concern that HUD's publication of proposed 2027 Section 8 FMRs could worsen the budget situation because the proposed FMRs may result in a zero-percent Renewal Funding Inflation Factor for 2027.

The City believes these concerns should be considered in the context of when the requested commitment would actually result in a funding obligation —when construction of Stardust Gardens is complete and residents begin moving in, which is anticipated in 2029.

An AHAP is an agreement to enter into a HAP contract in the future. <u>Execution of an AHAP does not itself trigger a HAP funding requirement for the units.</u> HUD requirements must still be completed, including applicable subsidy layering review and other development requirements, and those processes require time.

<u>More importantly, the 30 Stardust Gardens units are not anticipated to come online until approximately late FY 2029 or early FY 2030. Accordingly, concerns regarding an FY 2027 shortfall do not correspond with the period in which AHA would actually begin incurring HAP expenses for these units.</u>

**The 30 Units Do Not Necessarily - and Most Likely Will Not - Require 30 Newly Funded Families**

The City also believes that the potential cost should not be evaluated on the assumption that all 30 PBV units must be occupied by new families selected from AHA's waiting list and therefore require entirely new funding.

There are currently 25 extremely low-income families at or below 30 percent of Area Median Income receiving HCV subsidies through an existing PBV contract<u>. It is reasonable to expect that many of these families could elect to occupy the new units, particularly because Stardust Gardens would provide newly developed units specifically intended for a hard-to-house population with supportive services available on site.</u> Alameda Point Collaborative has worked hard over many decades to build a sense of community for its residents and engage them in the process. Many residents will want to stay in that community at Alameda Point when RESHAP is built.

In addition to these existing families, it can reasonably be expected that some units could be occupied by other existing AHA-assisted families, including VASH, EHV, and eligible HCV families, or families with similar needs within AHA's metropolitan area, including Alameda County, San Francisco, and Oakland.

Consequently, the financial impact to AHA should be evaluated based on the likely increase in existing subsidy costs, together with the cost associated with any genuinely additional families, rather than simply treating the entire cost of all 30 PBVs as a new financial obligation.

## Estimated Financial Impact

AHA has estimated the annual cost of the 30 requested PBVs at between approximately $1.1 million and $1.3 million assuming these are new families coming from their existing waiting list.

Given that most of the families expected to become future residents in Stardust Gardens, and based on AHA's own estimated costs and the existing subsidy costs for these families, the actual estimated total additional annual cost associated with the commitment ranges from approximately $316,000 to $516,000, rather than the full $1.1 million to $1.3 million gross cost of the 30 vouchers. The City derives this by netting out the approximately $784,000 cost of the current 25 PBV vouchers already at Alameda point. While the true cost may include some families leaving APC units, there is no realistic scenario where *all* families would leave and as noted above, other existing AHA-assisted families may elect to live at Stardust Gardens.

| | | | | |
|---|---|---|---|---|
| AHA Estimated Cost | $ | 1,100,000 | $ | 1,300,000 |
| Total number of PBV Vouchers requested | $ | 30 | $ | 30 |
| Annual Cost per Voucher | $ | 36,667 | $ | 43,333 |
| **Monthly Estimated Cost per Voucher** | **$** | **3,056** | **$** | **3,611** |
| | | | | |
| Total Actual Cost of Current PBV Vouchers | $ | 784,000 | | |
| Number of Existing families | $ | 25 | | |
| Annual Cost per Voucher in FY 2030 | $ | 31,360 | | |
| **Monthly Cost per Voucher in FY 2030** | **$** | **2,613** | | |
| | | | | |
| Monthly Increase in Voucher Cost | $ | 442 | $ | 998 |
| Annual Increase in Voucher Cost | $ | 5,307 | $ | 11,973 |
| | | | | |
| Annual Cost Increase for the Existing 25 Families | $ | 132,667 | $ | 299,333 |
| Annual Cost for the New 5 Families | $ | 183,333 | $ | 216,667 |
| **Total Cost of Commitment** | **$** | **316,000** | **$** | **516,000** |

Once these increased expenditures are reflected in AHA's VMS leasing and cost data, they would become part of the funding information used in determining AHA's subsequent renewal funding by HUD. Therefore, there would be a net cost for only one year, until this adjustment occurs. The City of Alameda has offered to work with AHA to cover these additional costs for the approximately one-year period necessary for HUD funding to reflect the increased expenditures.

## Renewal Funding Inflation Factor

AHA has also raised concerns regarding the effect that HUD's proposed FY 2027 FMRs could result in a zero-percent RFIF, which could affect its ability to fund new vouchers.

HUD Notice FR-6607-N-01 describes the methodology HUD uses to establish RFIFs. RFIFs are intended to adjust HCV renewal funding allocations to account for local changes in rents, utility costs, and tenant incomes. FMR's are one input among several others. It is possible for an area's RFIF to differ from what FMR trends alone would suggest, including in years when FMRs have increased.

More importantly, the requested PBV commitment is not expected to create a funding requirement until approximately FY 2030. It is therefore premature to use projected FY 2027 inflation conditions as the basis for determining AHA's ability to support units that are not expected to become operational for several additional years.

## Bottom Line for AHA

Based on the foregoing, the City believes the requested commitment of 30 PBVs has no impact on AHA's FY 2027 operations or on issues associated with a potential FY 2027 shortfall.

Entering into an AHAP in FY 2027 does not itself trigger a funding requirement for the 30 units. The units are not expected to come online until approximately late FY 2029 or early FY 2030, making it too early to determine the inflation and federal funding conditions that will exist when the actual HAP obligation begins.

Based on the existing families who may occupy these units, the estimated additional cost to AHA is approximately $316,000 to $516,000. The City has offered to provide temporary funding to cover this increase in costs until those expenditures are incorporated into AHA's subsequent HUD funding, if AHA can demonstrate a true budget shortfall risk to the City.

For these reasons, the City believes there is little to no financial risk to AHA's operations in FY 2027 or thereafter associated with making the requested commitment.

## City and AHA Coordination

The City also believes this matter highlights the importance of continued coordination between the City and AHA regarding housing and redevelopment priorities.

Under 24 CFR § 903.15, PHAs are required to ensure that their PHA Plans are consistent with the applicable Consolidated Plan for the jurisdiction in which the PHA is located. The City therefore has an important interest in ensuring that AHA's development activities remain aligned with the City's housing and community development priorities.

The City believes that more proactive coordination with the AHA Board can help ensure that future development activities, PBV commitments, funding applications, and related development decisions are appropriately aligned with those priorities.

**OTHER OPTIONS FOR AHA BOARD OF COMMISSIONERS**

If the City's top line request to AHA on page 1 of this letter will not work for the Board of Commissioners, staff is asking the Board of Commissioners to prioritize and support RESHAP - an important and long-planned community housing project. Specifically:

1) Given the timing of the development, the absence of an FY 2027 funding obligation, the availability of existing assisted families, the estimated incremental cost of the commitment, and the City's willingness to address the temporary funding difference, the City requests that the AHA Board of Directors not accept AHA's report on the agency's financial projections as a reason for not issuing the PBV commitment of 30 vouchers for Stardust Garden.

2) Direct AHA staff to seek a HUD waiver using its MTW authority to be able to select MidPen for a PBV commitment without further competition if MidPen is successful in its tax credit competition for Stardust Gardens.

3) Concurrently with 2), direct AHA leadership to open a new competition for PBV vouchers with specific requirements that only developments that have full funding commitments for development can apply. This competition should be completed by Monday, November 23, 2026.

The City looks forward to working with AHA to reach a resolution that supports Stardust Gardens while protecting the financial stability of AHA's Housing Choice Voucher program.

Sincerely,

Signed by:
Gerry Beaudin
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