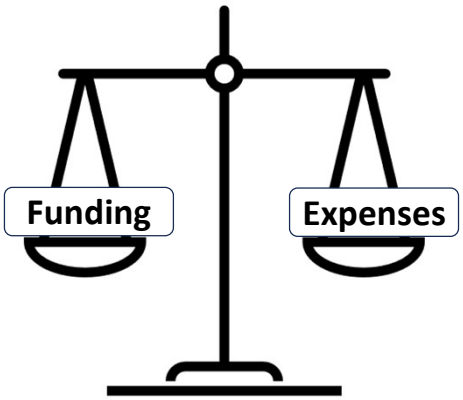
November 18, 2026
Revised
BOARD OF COMMISSIONERS MEETING

Agenda Item 7.A.

1

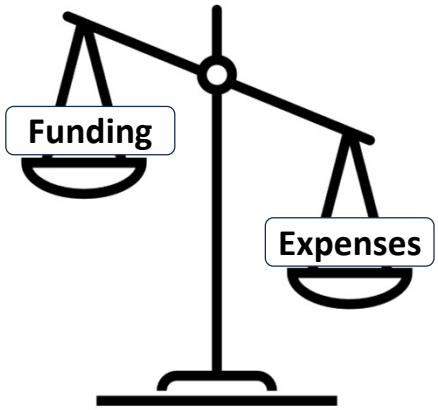
In an Ideal World



1. The Housing Authority is notified ahead of time of its funding for the upcoming year
2. Voucher program is funded to cover all of the Housing Authority's voucher expenses
3. The Housing Authority knows exactly how much it will spend in the upcoming year

2

Realistically



1. The Housing Authority is **not** notified ahead of time of its funding for the upcoming year
2. Voucher program is **not** funded to cover all of the Housing Authority's voucher expenses
3. Housing Authority **does not** know exactly how much it will spend in the upcoming year

3

Voucher Funding Timeline

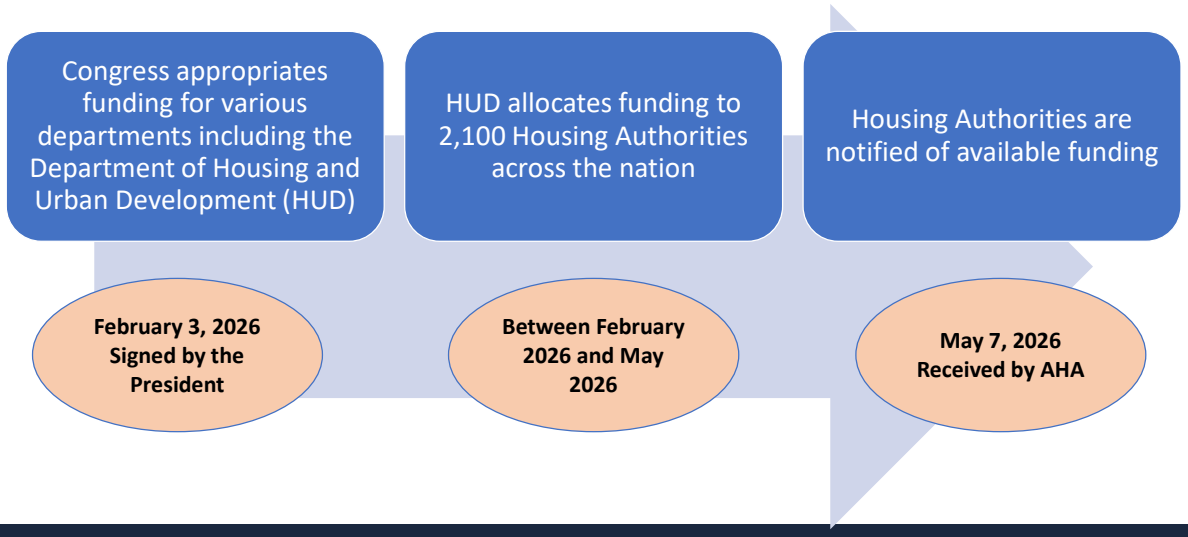
Congress appropriates funding for various departments including the Department of Housing and Urban Development (HUD)

HUD allocates funding to 2,100 Housing Authorities with a voucher program

Housing Authorities are notified of available funding

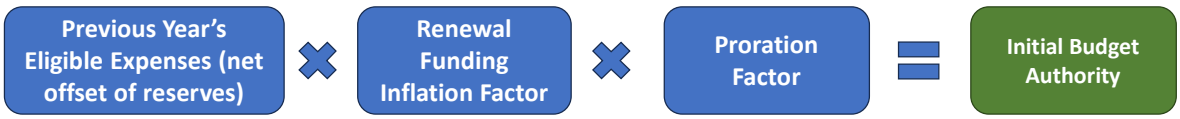
4

2026 Voucher Funding Timeline



5

General Funding Calculation



This funding is used by the Housing Authority for:

- Housing Choice Voucher (HCV) Program (including Port Outs)
- Family Unification Program (FUP)
- Project Based Voucher (PBV) Program (including Restore Rebuild PBV)
- Veterans Affairs Supportive Housing (VASH) Program
- Stability Voucher Program

Please note, special purpose voucher programs listed generally require specific uses for renewals

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Previous Year's Expenses



Ideally: All expenses for the calendar year are paid and captured in reports before HUD calculates these expenses

Realistically: Due to the timing associated with portability billing, vouchers issuances, HAP contract signing, corrections to billing statements, and processing in AHA's software system, expenses for the calendar year **may not** be paid and captured in reports before HUD calculates these expenses

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Overview of HAP Expenses

On a monthly basis, the Housing Authority:

1. Pays its landlords Housing Assistance Payments (HAP)
2. Pays other Housing Authorities Housing Assistance Payments (HAP) for individuals that have ported out of the City of Alameda
3. Pays its participants Utility Reimbursement Payments (URP)
4. Deposits Family Self-Sufficiency (FSS) Escrow

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HAP Expense Factors

On a monthly basis, the Housing Authority:

1. Pays its landlords Housing Assistance Payments (HAP)
2. Pays other Housing Authorities Housing Assistance Payments (HAP) for individuals that have ported out of the City of Alameda
3. Pays its participants Utility Reimbursement Payments (URP)
4. Deposits Family Self-Sufficiency (FSS) Escrow

These amounts change on a monthly basis due to new move-ins, rent increases, fluctuations in a participant's income or household composition, and changes in payment standards, to name a few, and are hard to project.

Admin Expense Factors

On a monthly basis, the Housing Authority pays for the Administrative costs of running the voucher program:

1. Staff salaries and benefits
2. Technology - Hardware, software, databases
3. Office supplies
4. Audit costs
5. Paying other Housing Authorities Administrative Fees for individuals that have ported out of the City of Alameda

Overview of Admin Expenses

On a monthly basis, the Housing Authority pays for the Administrative costs of running the voucher program:

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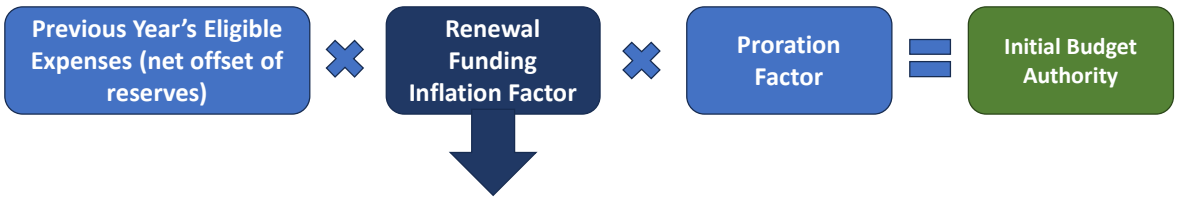
These amounts change regularly due to staff transitions/hiring, changes in benefit costs (typically increases), and changes in Administrative Fee Income for portability and are hard to project.

Additionally, HUD prorates Administrative Fee funding between 85% to 95%. For CY 2026 Administrative Fee is prorated at 85%.

This is insufficient to pay for program costs and the gap is met either with AHA funds or HAP. The Board approves an annual transfer of up to about $1M from non-federal funds.

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Renewal Funding Inflation Factor



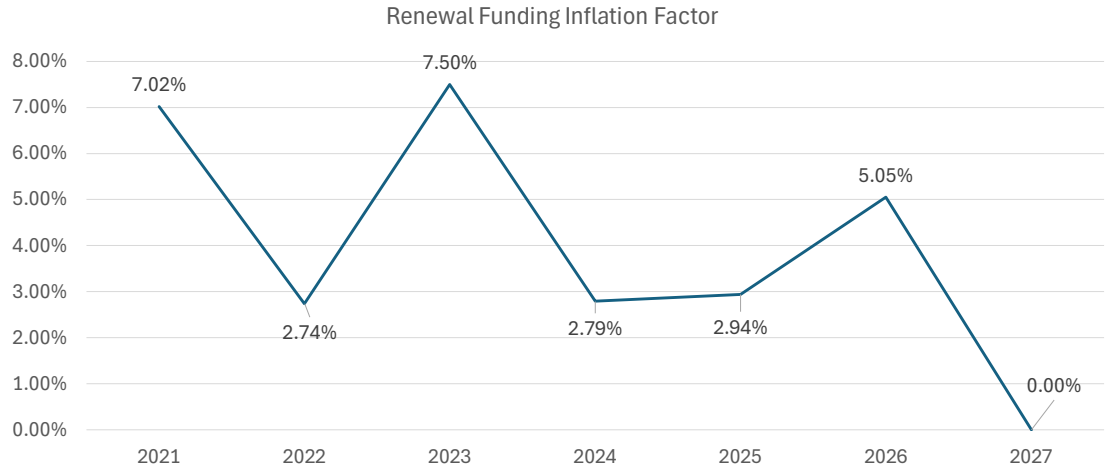
Ideally: Renewal Funding Inflation Factor exactly matches the inflation that is seen in the year-to-year voucher expenses.

Realistically: Renewal Funding Inflation Factor **does not** exactly match the inflation that is seen in the year-to-year voucher expenses.

- This is based primarily on percent change in Fair Market Rents (FMR). Decrease of between 1.2% and 4.0% or $28 and $206 in FMRs for 2027 compared to 2026.
- HUD has indicated that this will most likely be an increase of 0% for 2027

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Renewal Funding Inflation Factor Trends



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Proration Factor

Previous Year's Eligible Expenses (net offset of reserves) × Renewal Funding Inflation Factor × Proration Factor = Initial Budget Authority

Ideally: Proration is 100% so that the Housing Authority can maintain the costs of its current expenses

Realistically: Proration **varies** and is decided by HUD. Proration largely depends on the appropriations level set by Congress and secondarily on HUD's discretionary policy re offsets.

- HUD has indicated that this will most likely be 99% for 2027 meaning that the Housing Authority will not have enough Budget Authority to maintain the costs of its current expenses

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HAP Reserves

- Results from unspent HAP funds accumulated over time
- HUD-held reserves
  - Allocated to AHA but not disbursed to AHA which means we have to request to draw funds from our reserves
- For AHA, any reserve amounts that are more than 4% (based on AHA's Annual Contributions Contract) of next year's budget authority, will be offset/recaptured annually by HUD
  - Ideally, AHA has exactly 4% of our yearly funding in reserves
  - Could use these reserves to increase leasing, to meet increase per voucher HAP costs, reduce families' income to housing cost burdens, etc.

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Summary

- If Initial Budget Authority < Cost of Calendar Year Expenses, we must then use our reserves
- If Initial Budget Authority + Reserves < Cost of Calendar Year Expenses, we enter into shortfall
- If we enter into shortfall we have to apply for HAP Set Aside funding to cover any excess Calendar Year Expenses
- If we do not receive enough shortfall funding to cover any excess Calendar Year Expenses, we must pay for the vouchers and administration of the voucher program from non-federal funds or take other cost saving measures as explained later in this presentation.

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EHV

PIH Notice 2026-25:

- Per the 2027 Continuing Resolution, HUD is authorized to provide Tenant Protection Vouchers (TPVs), which follow HCV regulations, for any EHV family under lease as of September 30, 2026.
- However, from this Notice HUD can only provide "one round of funding (equivalent to 1 month of TPV funding for CY 2026)" and **future EHV-TPV funding for Calendar Year 2027 "will be provided as first-time renewals, subject to the availability of future appropriations."**
  - **This appropriation has not yet been made.**

As of right now, it is unclear if the AHA will receive enough funding to cover the costs of EHV which is approximately $77k per month.

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2026/2027 Financial Projections (1)

Projected CY 2026 HAP Expenses	$	47,507,120
CY 2026 End of Year HAP Reserves	$	2,099,337
CY 2026 End of Year Reserves as a % of 2027 HAP Funding		4.4%
Amount of CY 2026 End of Year Reserves Protected from Offset (4% of 2027 HAP Budget Authority)	$	1,900,285
Amount of CY 2026 End of Year Reserves Offset by HUD as of 12/31/2026 Over 4%	$	(199,052)
2027 Initial HAP Budget Authority at 100% for Eligibility Purposes, net of offset	$	47,308,068
2027 Initial HAP Budget Authority (net of offset) at 99% Proration	$	46,834,987
Total 2027 HAP Funding Availability (Budget Authority Plus Carryover of HAP Reserves from Prior Year)	$	48,934,324
Do NOT receive 12-Months of EHV TPV HAP for CY 2027	$	0
Total 2027 HAP Funding Availability (Budget Authority Plus Carryover of HAP Reserves from Prior Year) Plus 12-Months of EHV TPV HAP Revenue if Funded for CY 2027	**$**	**48,934,324**
Projected 2027 HAP Expenses	**$**	**49,606,264**
Projected 2027 HAP Reserve Amount as of 12/31/2027	**$**	**(671,940)**
% of Total HAP Budget Authority for 2028		**-1.4%**

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2026/2027 Financial Projections (2)

Projected CY 2026 HAP Expenses	$	47,507,120
CY 2026 End of Year HAP Reserves	$	2,099,337
CY 2026 End of Year Reserves as a % of 2027 HAP Funding		**4.4%**
Amount of CY 2026 End of Year Reserves Protected from Offset (4% of 2027 HAP Budget Authority)	$	1,900,285
Amount of CY 2026 End of Year Reserves Offset by HUD as of 12/31/2026 Over 4%	$	(199,052)
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2027 Initial HAP Budget Authority (net of offset) at 99% Proration	$	46,834,987
Total 2027 HAP Funding Availability (Budget Authority Plus Carryover of HAP Reserves from Prior Year)	$	48,934,324
12-Months of EHV TPV HAP Revenue if Funded for CY 2027	$	924,000
Total 2027 HAP Funding Availability (Budget Authority Plus Carryover of HAP Reserves from Prior Year) Plus 12-Months of EHV TPV HAP Revenue if Funded for CY 2027	**$**	**49,858,324**
Projected 2027 HAP Expenses	**$**	**49,606,264**
Projected 2027 HAP Reserve Amount as of 12/31/2027	**$**	**252,060**
% of Total HAP Budget Authority for 2028		**0.5%**

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2025 HUD Shortfall Policies

PIH Notice 2025-13:

- 2025 Appropriations Act provided up to $200M in HAP Set Asides for additional funding to PHAs beyond their HAP renewal calculation.
- Created 9 categories for HAP Set Asides
  - AHA applied for the following categories: Prevention of Terminations Due to Insufficient Funding (shortfall), Project-based Vouchers, and HUD-VASH
  - AHA was awarded HAP Set Aside funding
- Applications for HAP Set Aside funding required certifications and some additional data from the Housing Authority

<u>This has been the common practice for HAP Set Aside funding for decades</u>

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2026 HUD Shortfall Policies

PIH Notice 2026-12

- 2026 Appropriations Act provided up to $400M in HAP Set Asides for additional funding to PHAs beyond their HAP renewal calculation.
- Starting in 2026 and for the first time in HUD's history, HUD created shortfall categories:
  - Groups Housing Authorities by the number of shortfall funding awards since 2016 - AHA has been in shortfall twice since 2016 (2024 and 2025) and is currently in Group 1.
  - Creates more restrictions/requirements for each subsequent group
- Provided an extensive list of cost saving measures

Per HUD staff, HUD is projecting similar, if not more restrictive, shortfall policies for 2027

AHA's Cost Saving Measures

The AHA was in shortfall in 2025 and since then took the following cost-saving measures (to name a few):

- Suspended landlord incentives
- Decreased payment standards from 120% of Fair Market Rent (FMR) to 110% of FMR (2027 FMRs also decreased)
  - Used in the calculation of assistance paid on a unit and limits how much Housing Authority can pay on a unit
- Stopped the issuance of Housing Choice Vouchers to applicants
- Did not absorb port-in vouchers in 2025
- Now paying landlords through the move out date instead of through the end of the month
- Reinforced the 60-day deadline for PBV owners to request vacancy loss

HUD Email 10/28

HUD strongly encouraged all PHAs at risk of shortfall to consider implementing cost savings measures, including, but not limited to:

AHA has already taken these actions

- Cease issuance of new vouchers (except VASH and FYI)
- Reduce Payment Standards
- Assess Rent Reasonable policies
- Reducing use of HAP funding for non-HAP expenses

Not yet implemented

- **Pausing entering into new project-based voucher agreements and commitments**
- Adopting other cost savings measures outlined in PIH Notice 2025-28

Potential Consequences of 2027 Shortfall

Based on PIH Notice 2026-12, AHA would enter Shortfall Group 2 and would have to:

1. (Also applies to Group 1) Take cost saving measures (most of which the AHA is currently doing) including not issuing requests for proposals or selecting new PBV proposal or projects
2. Cease issuance of exception payment standards (not currently used)
3. Consider waiver request to apply payment decreases immediately
4. Only issue vouchers in permitted tenant-based leasing categories with prior HUD approval
5. Include in HAP Set Aside application a letter from the Board Chair that includes:
   - Acknowledgment that the PHA is at high risk of having to terminate assistance (including PBV HAP contracts) and that the board has reviewed the termination of assistance policies in the PHA's Administrative Plan
   - Identification of policies, procedures, and other actions the PHA will take to avoid future shortfall

Impact of Insufficient Funding

Per Administrative Plan policy, in order, (except where funding is exclusively earmarked for a program such as VASH):

1. Cease landlord incentives and vacancy loss payments *
2. Deny absorptions **
3. Cease issuance of new tenant-based vouchers *
4. Deny portability moves where AHA is billed and HAP will increase **
5. Deny PBV to HCV if HAP will increase **
6. Rescind applicant's HCV if no Request for Tenancy Approval (RFTA) has been submitted ***
7. Rescind applicant's HCV if no lease has been submitted ***
8. **Terminate assistance of HCV (newest to oldest)**
9. Terminate PBV contracts (AHAP only first and then by expiration date of HAP from soonest to oldest)****

* Already in effect

** Ports and PBV to HCV are <5% of AHA's vouchers

*** Did not issue HCV to applicants in 2025 or 2026

**** Do not currently have AHAP

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Summary of AHA's Financial Standing

2026

- **Not projecting shortfall** but are projecting to use all of 2026 Budget Authority and have about $2M remaining in reserves.

2027

- Due to HUD's projected 0% Renewal Inflation Factor and 99% Proration Factor, projecting to not have enough initial 2027 Budget Authority to cover expenses.
- If AHA receives additional, sufficient EHV-TPV funding for 2027 to cover current expenses, **AHA expects to have about $250k (or 0.5%) in reserves at 12/31/27**.
- If AHA does not receive any additional EHV-TPV funding for 2027 to cover current expenses, **AHA expects to be facing shortfall in 2027**.

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Recap of RESHAP Request

Background: AHA currently has a Housing Assistance Payments (HAP) contract for 25 Project Based Voucher Units (mix of two-, three-, and four-bedroom units) at Alameda Point Collaborative. The City and RESHAP are looking to redevelop the area which will mean the termination of this HAP contract.

Summary of Request: By May 2027, sign an Agreement to Enter into a Housing Assistance Payments (AHAP) contract for 30 Project Based Voucher Units (mix of two- and three-bedroom units only) at Stardust Gardens Development.

Financial Impact of RESHAP Request*

Current HAP costs for 25 PBV units with APC: $ 906,314

Projected HAP costs for this request will include HAP costs associated with 30 PBV units **($1,163,331)** plus six (6) PBV to HCV for the current four-bedroom vouchers **($ 297,850)**, plus if needed, up to 19 PBV to HCV if the current two- and three-bedroom chose not to relocate to Stardust Gardens **(Between $0 and $588,019)**

Projected spending of **at least $1,461,180 and at most $ 2,049,199** is more than current spending of $ 906,314.

Would expect to pay between $ 554,867 and $ 1,142,886 more if we were to move forward with RESHAP's request.

*Detailed breakdown can be found in the November 2026 BOC memo. These numbers are draft at this time and were sent to the City and RESHAP for comment.

Staff Recommendation

Provide direction to staff on what level of reserves the Board would like to see projected for 2027 in order to feel comfortable opening a PBV competition.

Issues to be considered include:

- EHV appropriations are currently unknown
- At this time 2027 shows only about $250k in reserves
- If all 2027 reserves are used, there would be no reserves remaining for 2028
- Any opening of a PBV RFP will have the language from PIH Notice 2025-28 which allows a PHA to rescind the award if the PHA determines it does not have sufficient budget authority

Thank you! Questions?