

Commissioner roll call was given at 5:09 p.m. The Briefing was held via teleconference, with an in-person at the SHA Central office. Commissioners Dr. Houston, Minor and Smiley were absent from the Briefing.

Review 09/16/24 Regular Board Meeting Agenda and Updates

MTW National Update

Intergovernmental Relations Director Lisa Wolters gave an update to the Board regarding SHA's current status and involvement in HUD's Moving to Work (MTW) program.

MTW provides SHA the opportunity to design and test innovative, local strategies using Federal funds more efficiently, help residents become self-sufficient and increase housing choices for low-income families. The MTW Collaborative, national housing authorities that are MTW agencies, is led by a board that includes Executive Director Rod Brandon. Mr. Brandon is the Chair of the Legislative Committee, as well as a member of the Strategic Planning Committee. As Chair of the Legislative Committee, Mr. Brandon and SHA are charged with leading the Collaborative's response to emerging issues, including MTW program permanency and MTW reserves, to name a few.

SHA 2025 MTW Plan Introduction

Policy Strategic Advisor Lily Sweeney introduced to SHA's 2025 proposed MTW Plan to the Board.

SHA joined the MTW Program in 1998, with 1999 being the first active year participating. The program covers approximately 80% of SHA's housing stock and is central to the agency's culture of innovation and continuous improvement. The program's purpose is for SHA to be able to be flexible and more efficient use of federal dollars with design innovations, an increase housing choice and promote better connections with residents for the purpose of employment and education opportunities. The program gives SHA exemptions from many public housing and voucher rules and regulations in this funding flexibility, as well. In the development of this Plan, support and assistance was received from a number of staff in departments all across the agency, making it truly a team effort. This technical document allows us to implement new ideas and is a vehicle for HUD to approve things like redevelopment proposals or asset repositioning. Other materials, such as the Budget and the Admissions and Continued Occupancy Policy (ACOP) and the HCV Admin Plan outline how we will implement the ideas included in this document. MTW Plan requirements include short- and long-term goals; housing stock, leasing and waiting list information; proposed innovations; approved innovations; financial information; and certifications for the agency.

Examples of prior innovations include mixed-status household subsidy calculation in 2023, as well as consistency in rent and income determinations, and the Reintegration Housing Program in 2024. These innovations come from collaborating and listening to staff,

soliciting ideas, and making suggestions year-round. We work with departments to ensure their work in 2025 is enabled through this document and try to build MTW into regular thought processes. If needed, staff also bring ideas they come up with from a number of different places, including in meetings and interactions with residents. SHA is proposing five new MTW innovations (strategies) for 2025, three of which will involve the Housing Opportunities Through Modernization Act (HOTMA). Passed in 2016, it was informed by innovations from MTW housing authorities. HOTMA provisions have been released in phases over the last few years because the law was so expansive, so the majority of HUD's implementing regulations began in 2023 and 2024. The overall goal of HOTMA is to streamline administration, ensure consistency and alignment, improve accessibility, encourage asset building, and prepare for future challenges. It allows working families to retain more income, reduce administrative burden and increase housing options. Impacts may be found in income verification and calculation, asset limits and when interims are required. We are in the process of exploring how to streamline income determinations at SHA and giving ourselves the ability to keep current procedures instead of adopting HOTMA rules right now while we evaluate our procedures. SHA may choose to adopt some of these procedures in the future but are giving SHA the ability to not implement them.

There are projected changes to MTW housing stock, leasing and waiting lists. In 2024, SHA received approval for a Section 18 Disposition of Jackson Park Village for the purposes of refinancing and redevelopment. The financing and construction process will continue through 2025 with construction estimated to begin in 2026. The new building will have approximately 41 Project-Based Voucher units and 59 straight tax-credit units for a total of 100 units. Construction on Juniper Apartments, the final Choice Neighborhoods Initiative development in Yesler, began in 2023 and is anticipated to complete in 2025. Leasing is anticipated to begin in mid-2025, with a planned unit mix of 39 Project-Based Voucher units and 75 straight tax-credit units (including one Common Area Unit) for a total of 114 units.

The following additional changes to SHA's housing stock may occur in 2024:

- SHA may apply to bring Ravenna School Apartments, a 39-unit building, into the public housing portfolio. The building is part of the Seattle Senior Housing Program (SSHP) and utilizes the same rent policy as other SSHP buildings. No significant impact for current or future residents is anticipated as a result of this change.
- In addition, SHA may seek disposition approval for up to 985 public housing units within its Seattle Senior Housing Portfolio to pursue other funding sources that may be beneficial to the sustainability of the portfolio. SHA is not proposing to eliminate any SSHP housing units or replace units with tenant-based vouchers. Currently, most SSHP properties receive Low-Income Public Housing subsidy. There are other types of HUD subsidy that may provide better support for these units, such as a project-based voucher subsidy. Extensive planning and advance notification to residents would occur before any construction work begins.

Demand for subsidized housing remains high in the Seattle area. There are approximately 5,500 households on the public housing waitlist and 24,000 households on the Housing Choice Voucher list.

Seattle Housing Authority is adding one new strategy in 2025 and updating two existing strategies to address certain provisions of the 2016 Housing Opportunities Through Modernization Act (HOTMA). SHA is not proposing changes to how household income is determined. HUD is making changes to how income is determined, including changes to allowable deductions and how to calculate income from assets. SHA is updating its authorizations to retain current income determination policies in light of revised federal regulations.

New MTW strategy

Strategy number	Description
MTW Strategy 10.A.06: Streamlined local income determination	SHA may adopt local rules regarding the determination of household income for the purposes of eligibility and/or Total Tenant Portion/tenant rent.

This new strategy will enable SHA to maintain its current methods of calculating income, current interim policies, and current approaches to income deductions.

Updates to existing strategies

Strategy 10.A.04: Streamlined medical deduction: HOTMA changes some definitions of qualifying medical expenses. SHA will continue to use the most current IRS Publication 502 to define eligible expenses per the ACOP and Admin Plan. Strategy 10.A.05: Asset income threshold: HOTMA changes the way that income from assets is calculated. SHA will keep the current method of asset income calculation as outlined in the ACOP and Admin Plan, as well as continuing to allow self-certification of assets up to \$50,000.

SHA has two additional updates to existing strategies unrelated to income calculation. Strategy 1.A.03: Total Development Cost limits: SHA is updating this strategy to specify that it will use the Washington State Housing Finance Commission’s Total Development Cost limits for Seattle. HUD’s cost limits are not sufficient to cover the cost of development in Seattle. Strategy 9.H.09: Percent of vouchers that may be project-based: SHA is authorized to set its own cap on the percentage of vouchers which are project-based. Since SHA last raised the cap in 2016, the agency has increased its usage of PBVs by more than a third by placing vouchers in partner-owned units and, increasingly, in SHA’s rehabbed and redeveloped properties. SHA therefore will be raising the cap of vouchers that maybe project based to no more than 40 percent.

SHA 2025 Proposed Budget – 1st Reading

CFO Jared Cummer, F&A Deputy Director Miki Naganuma and F&A Budget Manager Gashaw Dessie presented the first reading of SHA’s proposed 2025 Budget to the Board.

The presentation began with a review of the budget schedule:

- 8/30 2025 Proposed Budget Book posted for public comments;

- 9/9 Board Briefing: 2025 Proposed Budget reading;
- 9/16 Board Meeting: Program highlights;
- 10/7 Board Briefing: Budget briefing, as needed;
- 10/14 Board Meeting: 2025 Proposed Budget vote.

SHA Budget priorities include serving existing residents well, race and social justice, serving more people, employee wellbeing and sound financial management for the agency. The budget process and the priorities that were set for the budget process this year started at the end of 2023 where staff rolled out a process for work plans and expiring project positions. The strategic plan was not finalized at that time, so continued with the priorities that have been consistent from the former strategic Plan in last year's prior budget, which is serving existing residents well; SHA's race and social justice and equity focus (serving more people, employee well-being and sound financial management).

Changes made to the budget process were based on feedback from departments and also processing time for review from the Budget Office, the Executive Office, and for the Board. It separated the budget into kind of two cycles consisting of core function and new initiatives with new Opportunity Investments budgeted for 2025. The cycle currently taking place is a focus on core functions. Departments were asked to only submit requests this year that were needed to support the core operating functions that their departments have and how they serve residents and participants, as well as any other resources they need for programs or initiatives that were already funded. Next budget cycle, parameters will be set to allow for new programmatic initiatives and new ideas to be presented, in addition to core functions. Commissioner Purcell was concerned that it went from a \$29 million budgeted for Opportunity Investments to no new OIs, which seemed to be a shift away from the Board being able to have some say in where excess revenue is going. Mr. Brandon assured Mr. Purcell that it doesn't eliminate the opportunity for OIs, and that comments from the Board on any direction that they believe that the agency should heading in are welcome. We wanted to make sure that we are doing as an agency was not continuously looking for new initiatives and not finishing and completing those that were already started.

Because the 2025-2030 Strategic Plan was not finalized until July of 2024, the timing didn't line up too well with the Budget Office and the early stages of the budget process planning quite earlier in the year. Staff did work with the departments in August to identify how their funding requests supports the agencies priorities identified in the new Strategic Plan. The four major priorities (housing quality, staff development, communications, and supportive services), as well as the resident budget survey that took place earlier this year. The resident budget survey was held between February and March, which was a positive change from prior years where the surveying process usually took place much later in the year. Holding it earlier in the year allowed for staff to be able to use the resident feedback that was received through the surveying process and to be able to share that with the departments in time for the budget process. 556 individuals engaged with the survey and then breaking that down into what type of groups engaged in a survey, 90% of the 556 were either SHA residents, or voucher holders, or voucher holders that live in SHA properties and in the rest of 10% came from SHA partners, and the general public.

What was identified and the top survey feedback included security concerns within residents' property, as well as in their broader neighborhood where there are properties are located. The second item was unit upgrade needs and then the final item being further support for tenant services.

Budget assumptions for the federal funding and what are assumed in the 2025 budget are the MTW block grant, which is the three major grants, for public housing, capital, the operating fund, and the Housing Choice Voucher fund.

Federal Funding Budget Assumptions

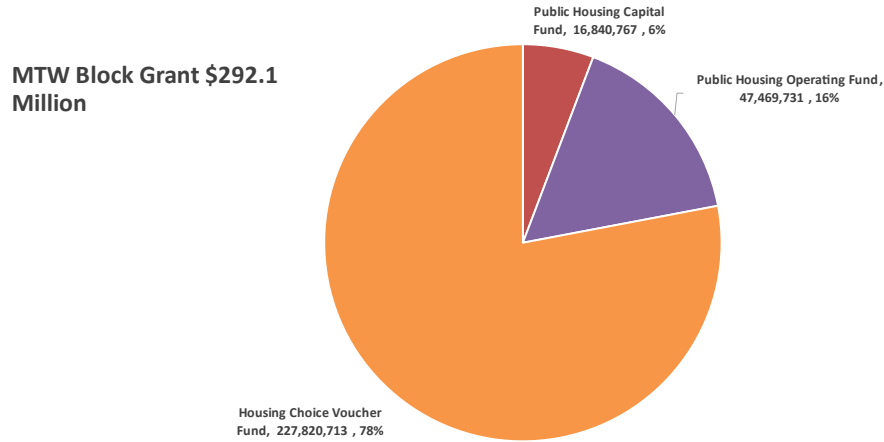
Actual Funding Levels	2022	2023	2024	Proposed 2025
Public Housing Capital Fund	14,670,000	16,840,767	16,840,767	16,840,767
Public Housing Operating Fund	45,566,317	46,311,505	47,469,731	47,469,731
Housing Choice Voucher Fund	179,314,811	220,330,000	227,820,713	227,820,713
Total Single Fund	239,551,128	283,482,272	292,131,211	292,131,211

29

That was an increase of about 3% from the year 2023. There are few factors we considered for the 2025 budget (when the federal government kicks in on October 1st), as there is no appropriation so far. It's likely there will be a Continuing Resolution, given that this is an election year, so lawmakers may not make the appropriations on time, and we might live with Continuing Resolution fund at the previous year's funding level. Based on that information, we assumed this flat projection for 2025.

This chart shows the 2025 estimate for the MTW Block Grant, the \$292.1M, a large portion of this 78%, which is 227.8 million is the Housing Choice Voucher, the second largest which is 16% is the Public Housing Operating fund, which will be about 47.5 million and the remaining 6% is for Public Housing Capital Fund, at about 16.8 million.

Federal Funding Estimates for 2025



30

The 2025 Proposed Budget of \$458.5 M consists of all Operating and Capital Budget sources and uses:

- Federal
- Non-Federal
- Local housing program
- Replacement reserves
- Investor contributions and construction loans

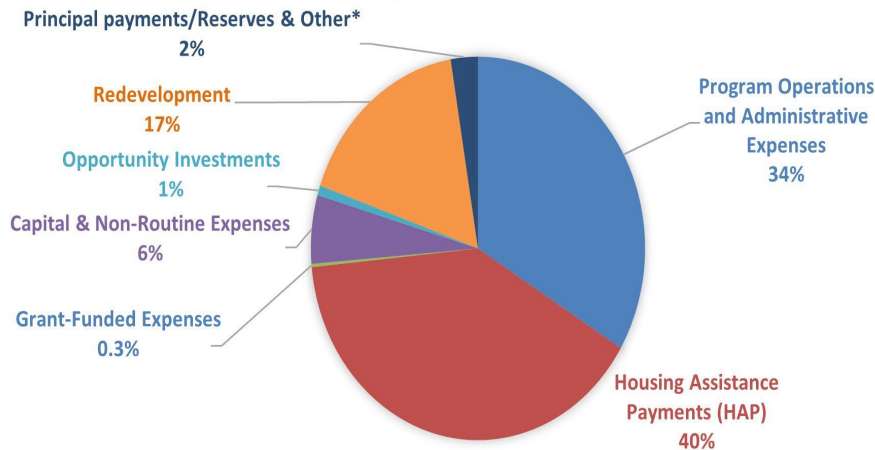
Operating and Capital Budget Sources

Projected Sources	CY 2024 Adopted Budget	CY 2024 Revised Budget	CY 2025 Proposed Budget	Percent Change (24 Rev. v 25)
MTW Block Grant	283,178,000	290,669,000	292,131,000	0.5%
Dwelling Rental Income	46,298,000	46,298,000	51,284,000	10.8%
Other Income & Investment Income	15,199,000	15,199,000	20,278,000	33.4%
Special Purpose Vouchers	29,682,000	29,682,000	37,052,000	24.8%
Other Sources*	40,535,000	40,535,000	57,738,000	42.4%
Total Expenses	414,892,000	422,383,000	458,483,000	8.5%

* Other sources primarily consist of project financing sources from Limited Partnership capital contributions, bond proceeds, and local funding sources.

Here, the Housing Assistance Payments comes up first, which is 40% program operations and administrative expense accounts about 34% of this budget and the next highest item is the redevelopment value which is 17%. The Capital is about 6% and then Principal payment/Reserves and other account is about 2%. Grant payment or smallest 0.3%.

2025 OPERATING AND CAPITAL PROGRAM USES \$458.5 MILLION



Total Proposed Budget \$458,483,000

35

What took place in 2024 (after the budget was adopted last year) tells an important story about how we got to where we are in the 2025 budget. During the off cycle, we saw increases in both the revenue side and expense side of the budget. On the revenue side, first and foremost, after that budget was adopted, we saw an increase in the MTW block grant funding appropriations, which contributed to the increases in our federal sources. Then, we also saw dwelling rental increases due to addition of the properties both from our acquisition of the Verse apartments and then also two formerly limited partnership properties coming back to SHA's budget as our revenue source. The, on our expense side, a

formerly outside managed properties by Cushman and Wakefield came back to SHA and that contributed to increasing SHA FTEs (staff positions). This was largely a cost neutral transition since previously these activities were all funded through contracts with the outside property management company. But, we are now tasked with hiring additional SHA staff to oversee the properties that that we took back from outside management companies. Secondly, SHA has two rehab projects taking place at High Point and New Holly. These are projects that were budget adopted in 2024, but the number and types of positions that were needed to complete the work was not exactly known at the time of the adoption of the budget. So, as the project scope became clearer in 2024, we were able to prove the appropriate types and the numbers of FTEs to start the work on these projects. The third item is the maintenance merger. In June of this year, the whole 6th & Yesler site-based maintenance teams and our central maintenance team, Housing Maintenance services (now HMS, previously IPS) merged together, so additional staff were needed to streamline the operations. Ultimately, this merger will achieve increased efficiency and cost savings, but initially we needed to invest in streamlining operations there. The fourth item is the Housing Choice Voucher team opening the wait list, which required additional staff to support the management and oversight of the wait list. Lastly, the Public Housing admissions wait list management and backlog was identified in 2024, so additional support was needed to improve the lease up time in order for staf to serve more people quickly. This all resulted in an increase in off-cycle FTE's in 2024.

Due to time constraints, it was decided to present the remainder of the presentation to the Board at the September 16 Board Meeting. Hearing no further comments, Commissioner Clark called for consideration for adjournment. It was moved by Commissioner Purcell and seconded by Commissioner Howard. The September 9, 2024, Regular Board Briefing was adjourned at 6:35 p.m. after a unanimous vote of the Board present.

Secretary-Treasurer