Housing Choice Voucher Shortfall

HACCC BOC

July 7, 2026

Shortfall Overview

- HCV Shortfall: Renewal funding for everyone currently housed on the program runs out before year's-end

- HUD confirmed HACCC shortfall June 25, 2026

- HAP Funded - $224,137,762
- Projected Need - $237,458,416
- Projected Shortfall (in December) - $13,320,654

- 541 families/annual avg. (if made cuts in January)
- 6,497 in December when $ runs out

Shortfall Overview

- HACCC in Shortfall 7 times since 2016:
- 2017, 2018, 2019, 2020, 2021, 2022, 2026

- Worked with HUD always, followed requirements, no drastic steps needed
- HUD’s approach significantly stricter and more accusatory in 2026

- Why: Problem appears to be growing nationally (800-1,000 PHAs 2 years ago?, 1/2 PHAs in 2026?)

- 2026 national shortfall pool may not be sufficient without PHA changes

Shortfall Overview

- New - 3 Shortfall Groups - Least to Most History of Shortfall
- Plus, Extreme Risk > 10 percent (Highly likely to remain in shortfall in 2026)

- HACCC is Group 3
- 5.6% current projection

Group 1 Requirements

Group 1 – 1st or 2nd shortfall since 2016

- Immediately Adopt Cost-Savings Measures and Work with the Shortfall Prevention team (SPT)
    - Action Plan
    - Cost projections
- Submit a Complete Application for Shortfall Funding
    - ASAP (1st come) – Deadline January 29, 2027
- Do not Transition Emergency Housing Voucher Families to a Turnover Housing Choice Voucher
- Do not Issue Tenant-Based Vouchers (limited exceptions)
- Must Not Absorb Vouchers
- Must Not Issue New Requests for Proposals or Select New PBV Proposals or Projects (Limited Exceptions)
- Must Adhere to Limitations on Extraordinary Operating Cost Factor Requests for RAD Properties
- Must Not Approve PBV Substantial Rehabilitation Requests if They Require Issuance of Additional Tenant-Based Vouchers
- Must Not Add Units to PBV Contracts (Limited Exceptions)
- Must Continue to Meet Contractual Obligations Associated with PBV Contracts
- May Submit Regulatory Waivers to Achieve Cost Savings
    - Apply decreases in the payment standard during the HAP contract term immediately.
    - Establish payment standards below 90 percent of the applicable fair market rent. Seek other regulatory waivers.

Group 2 Requirements

Group 2 – 3rd, 4th, or 5th shortfall since 2016

Group 2 programs have shown they are not adequately bringing expenditures in line with authorized budget authority.

PHAs in Group 2 must:

- Follow all Group 1 actions.
- Immediately cease using exception payment standards (>110%).
- Strongly consider a waiver request to apply payment decreases immediately.
- Only issue vouchers in permitted tenant-based leasing categories with prior HUD SPT approval, excluding statutorily required issuances.
- Include in the shortfall application a letter from the board chair that includes:
  - Acknowledgment that the PHA is at high risk of having to terminate assistance, including termination of PBV HAP contracts, if applicable, 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 ensure prudent financial oversight and management that will help ensure the PHA avoids shortfalls in future years, along with a timeline for implementation.

Group 3 Requirements

Group 3 – 6th+ shortfall since 2016

Group 3 programs have demonstrated that their programs likely do not have adequate financial management oversight and are at higher risk of terminating assistance to address cost overruns.

PHAs in Group 3 must:

- Follow all Group 1 and 2 actions.
- Immediately cease the use of any exception payment standards and/or MTW payment standards above the basic range.
- Review payment standards within the basic range and assess whether payment standards should be reduced. If the PHA determines that payment standards should not be reduced, the PHA must propose significant, alternative cost savings measures for HUD to review. The PHA must then adopt significant, alternative cost savings measures.
- If reducing payment standards, strongly consider a waiver request to apply payment standard decreases immediately in accordance with Notice PIH 2025-28.
- Issue vouchers only in permitted tenant-based leasing categories with prior HUD SPT approval, excluding statutorily required issuances (such as TPVs for section 8 PBRA opt-outs).
- As part of the Shortfall Application, include a letter from the board chair that includes an acknowledgment that the PHA is at high risk of having to terminate assistance, including termination of PBV HAP contracts, if applicable, and that the board has reviewed the termination of assistance policies in the PHA's Administrative Plan.
- Submit a detailed assessment of the root causes of the PHA's repeated shortfalls and the actions the PHA plans to take to address those causes.
- HUD may elect to perform an on-site or remote review to further identify any additional root causes of the PHA's repeated shortfalls. PHAs would then be required to develop a corrective action plan to remedy any identified causes or deficiencies.
- If the PHA has vouchers on the street, submit a plan for rescinding vouchers that HUD will review and determine if vouchers should be rescinded.
- Provide a copy of the PHA's current Administrative Plan section that describes the PHA's adopted policies for termination of assistance, including termination of PBV contracts.
- Submit a listing of outside sources of funds identified in Notice PIH 2013-28 that could be used by the PHA to address shortfalls. Should HUD determine there is inadequate funding to address all shortfalls, HUD may require the PHA to use outside sources of funds to prevent terminations of assistance.

BOC Letter from the Chair

HOUSING AUTHORITY
OF THE
COUNTY OF CONTRA COSTA

July 7, 2026

Electronic Submission via DocuSign
Shortfall Prevention Team
U.S, Department of Housing and Urban Development

RE: 2026 HCV Shortfall Funding Application for the Housing Authority of the County of Contra Costa (CA011) Board Chair Acknowledgment Letter

Dear Shortfall Prevention Team:

I am writing this letter as part of the Housing Authority of the County of Contra Costa's (HACCC) shortfall funding application. I acknowledge that HACCC is at high risk of having to terminate assistance to as many as 6,497 voucher households in December in a worst-case scenario given our current projections. The Board of Commissioners and I are also aware the termination of assistance could include project-based voucher contracts, although, under our current policy, these would be the last HAP contracts terminated. The Board has reviewed, and previously approved, HACCC's termination of assistance policies in the Administrative Plan. We have instructed staff to work diligently with HUD to avoid any terminations of assistance and will be monitoring their progress in this effort.

Please let me know if you have any questions.

Sincerely,

Diane Burgis
Chair, Board of Commissioners

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HACCC’s Cost-savings Termination Policy (Excerpts)

If after implementing all reasonable cost-cutting measures there is not enough funding available to provide continued assistance for current participants, HACCC will terminate HAP contracts as a last resort.

If HACCC must terminate HAP contracts due to insufficient funding, HACCC will do so in accordance with the following criteria and instructions:

- HACCC will terminate assistance beginning with families that have been on the Section 8 program the longest, with the exception that contracts for elderly and disabled families will not be cancelled unless there are no non-elderly disabled families on HACCC’s HCV program. Families who lose their assistance due to funding cuts will be placed back on the wait list with a preference

- In the event of insufficient funding, HACCC shall first take all cost-saving measures prior to failing to make payments under existing PBV HAP contracts.

Root Causes: Overpaid?

	2017	2025	Growth
Average HAP	$1,315	$1,975	50.2%
Median Gross Rent in Contra Costa *	$1,600	$2,514	57.1%

* Gross rent source: U.S. Census Bureau, ACS 5-Year: ACS Table B25031, Contra Costa County, CA

Root Causes: Growth (HUD-Approved)

- Current ACC = 9,589
- Contracts – 8,864 (100.16% Budget utilization as of March 2026)

	Units with HAP	HAP
2016	6,283	$85,426,069
2025	8,864	$202,708,660
Growth	+ 2,581	+ $117,282,591
% Gain	+ 41.1%	+ 137.3%

Root Causes: Growth (HUD-Approved)

- 2016 Alameda/Contra Costa proposed FMRs: -10%
- PHAs paid study resulted in +33% (SF Chron cover)

- July 1, 2019, transfer of RHA at HUD's/City's request. (Many retros for rent + RX)

- 1,203 new PBVs (housing supply, HUD sign-off)
- 135 RAD PBVs (Las Deltas conversion + Idaho Apartments)
- New VASH, FYI, Mainstream, Stability, etc.

- June 14, 2023: HUD informed us we needed to increase payment standards because 4,571 were rent burdened.

- November 29, 2023: HUD concerned HAP was trending downward and that we had $5,941,372 in reserves subject to offset.
- Wanted increased HCV leasing at HACCC.

- Spring 2024 (?): HUD offset $3.6 million from HACCC

Next Steps

- Staff preparing application
- Need to submit ASAP
- Waiting for HUD to instruct how “aggressive” we should be
  - All cuts ASAP, or wait for shortfall $?

Chair Burgis sign letter for application

- Update termination policy – staff bring back to BOC
- Update BOC as hear from HUD

Next Steps

- Questions?