



Berkeley Housing Authority

1901 Fairview St., Berkeley, CA 94703
Telephone: (510) 981 5470 Fax: (510) 981 5480

Office of the Executive Director

Item 7D

NEW BUSINESS

September 12, 2013

To: Honorable Chairperson and
Members of the Berkeley Housing Authority Board

From: Tia M. Ingram, Executive Director

Subject: Payment Standard schedule for the Section 8 Tenant Based and Project Based Voucher Programs, and the Moderate Rehabilitation, Single Room Occupancy Program effective October 15, 2013 for new contracts, and December 1, 2013 for existing contracts.

RECOMMENDATION

Authorize revision of the current payment standard schedule for the Section 8 Tenant-Based and Project-Based voucher programs, and the Moderate Rehabilitation, Single Room Occupancy (SRO) program effective October 15, 2013 for new contracts, and December 1, 2013 for existing contracts.

BACKGROUND

The U.S. Department of Housing and Urban Development (HUD) issues a *proposed* new schedule of Fair Market Rents each August; Public Housing Authorities (PHAs) have a small window in which to submit comments, before the *final* Fair Market Rents are published in October. Public Housing Authorities (PHAs) are required to review their existing Payment Standards (PS) and make sure that the rates are both:

- a. within 90 and 110% of the effective FMRs (except that the Moderate Rehabilitation SRO Program PS is set 75% of the 0 BR PS) and
- b. at a level that is sufficient to allow families a reasonable opportunity to secure assisted housing without paying more than 30% of adjusted monthly income for rent.

It is important to remember when establishing Payment Standards (PS) that the annual funding allocation from HUD for rental subsidies (Housing Assistance Payments or "HAP") is a fixed amount, and is not decreased (for PS below the FMR), nor increased (for PS above the baseline FMR). This is of particular concern under Sequestration, and the significant reduction in funding for rental subsidy payments.

STATUS

The deadline for publishing the final FMR's is October 1st, thus this report relies on the draft/proposed FMRs. It is our experience that the values tend not to change from proposed to final FMRs.

You may recall last year we joined lead agency Alameda County Housing and Community Development Department, and four housing authorities (Alameda County, Contra Costa County, Alameda City, and Oakland) in a market rent study to challenge the 2013 FMRs for our region. The survey results confirmed that the rates proposed by HUD were deficient for our rental market. We are pleased to note that the proposed 2014 FMRs reflect an increase, and approach the findings of our study. The data are inclusive of unincorporated areas in the Counties of Alameda and Contra Costa which would bring the figures slightly lower than in the City of Berkeley, but are closer to market reality. We believe that the results of the study played a role in HUD increasing the FMRs this year.

For 2 Bedroom units the study concluded an average market rent of \$1,618 (the study methodology took gross rents for 1 and 3-Bedroom units and converted them to equivalent 2 Bedroom rents)

The past year has been particularly challenging to our efforts to increase the supply of units for participating households as owners have left the program in favor of market rents that exceeded our PS.

At the same time we are experiencing increases in market rents, we are experiencing situations that result in reduction of rent contributions by assisted households. We track increases in individual HAP greater than \$100 per month; for July there were 20 such changes, 38 in August, and an additional 20 in September.

Staff proposes the Payment Standard be set at 110% of the published *draft* 2014 FMR, the maximum allowed without HUD approval. We will evaluate the PS again, after the final FMRs are published and seek a modification to the PS as appropriate.

	SRO*	0	1	2	3	4
Current PS	\$736	\$981	\$1,190	\$1,497	\$2,091	\$2,565
HUD Proposed 2014 FMR	\$776	\$1,035	\$1,255	\$1,578	\$2,204	\$2,704
BHA Proposed PS at 110% of HUD 2014 FMRs	\$854	\$1,139	\$1,380	\$1,736	\$2,424	\$2,974
Variance (New - Old PS)	+118	+158	+190	+239	+333	+409

*The HUD PS formula for Mod. Rehab. SRO units is 75% of the 0 BR PS

We are asking the Board to authorize adoption of a Payment Standard based on draft FMRs, and prior to publication of the final FMRs in an effort to: a) avoid the need for staff to reprocess annual recertifications (to comply with HUD notification requirements, staff is currently processing December recertifications); and b) to allow the earliest possible implementation of the higher Payment Standard – critical to our ability to attract owner participation, and to control increases in the family rent portion for assisted households. The increase will also benefit our S8PB voucher

projects – many were required to lower the rent last year because of the lower PS for 1 and 2 bedroom units.

It is important to note that a new Payment Standard applies only at the contract anniversary (move-in date). Thus, the immediate budget impact is limited to new contracts (we average 11 per month), effective on or after October 1st. For the existing 1,785 assisted households, the new PS will be applied during the processing of the annual recertification (approximately 150 contracts each month).

Our Finance Department has tools that monitor HAP expenditure on a monthly balance against HAP funding, including the \$100 per month increase report noted above. We will continue to diligently monitor the success of the program under these new Payment Standards in terms of: (a) program expansion, (b) owner retention, and (c) rent burden for assisted households.

FINANCIAL IMPLICATIONS OF ACTION

The proposed increases in Payment Standard represents an estimated annual increase in HAP of \$4.7 million. The current HAP reserve is approximately \$1.5 million; funding for calendar year 2014 is anticipated in January.

Standard in excess of 100% results in a higher per unit cost, and thus potentially the ability to serve fewer families. A Payment Standard not sufficiently high, can result in: (a) families not being able to secure a unit without being rent burdened, and (b) decreased Administrative Fee earnings for BHA.

CONTACT PERSON

Tia Ingram, Executive Director, Berkeley Housing Authority, 981-5471
Jesy Yturalde, Finance Manager, 981-5488

Attachments:

1. Resolution
2. Exhibit A – Payment Standard Schedule (current and historical)

RESOLUTION NO. 13-_____

AUTHORIZING REVISION OF THE PAYMENT STANDARD SCHEDULE FOR THE SECTION 8 TENANT BASED AND PROJECT BASED VOUCHER PROGRAMS, AND THE MODERATE REHABILITATION, SINGLE ROOM OCCUPANCY PROGRAM, TO 110% OF THE PROPOSED FY2014 FAIR MARKET RENTS (FMRs), EFFECTIVE OCTOBER 15, 2013 FOR NEW CONTRACTS, AND DECEMBER 1, 2013 FOR EXISTING CONTRACTS

WHEREAS, the Housing Authority is required to establish a Payment Standard schedule for all bedroom sizes; and

WHEREAS, the U.S. Department of Housing and Urban Development has published the proposed 2014 Fair Market Rent amounts which reflect a slight increase in Fair Market Rents for all bedroom sizes; and

WHEREAS, final Fair Market Rents are scheduled for publication on October 1, 2013; and

WHEREAS, the next regularly scheduled Board meeting is scheduled for October 10; and

WHEREAS, an increase in Fair Market Rents provides an opportunity for BHA to increase the Payment Standards; and

WHEREAS, the current rental market is making it increasingly difficult to retain and attract owners to the S8 Voucher program; and

WHEREAS, a higher Payment Standard may provide an incentive for owner participation; and

WHEREAS, the Payment Standard can be revised following final publication of the FMRs; and

WHEREAS, staff has concluded that the proposed increase in Payment Standard will not create any imminent threat to current assisted tenancies, and may in fact serve to protect them; and

WHEREAS, the proposed Payment Standard is 110% of the draft Fair Market Rent for 0 to 4 bedrooms and 75% of the 0 BR PS for SRO units.

NOW THEREFORE, BE IT RESOLVED, that the Board of the Berkeley Housing Authority authorizes adoption of a new Payment Standard Schedule for the Berkeley Housing Authority's Section 8 Tenant Based and Project Based Voucher Programs, and the Moderate Rehabilitation, Single Room Occupancy Program, attached hereto and identified as Exhibit A, effective October 15, 2013 for new contracts and December 1, 2013 for existing contracts.

The foregoing Resolution was adopted by the Board of the Berkeley Housing Authority on September 12, 2013 by the following vote:

Ayes:

Noes:

Absent:

Abstain:

Attest: _____
Tia M. Ingram, Secretary

Proposed Payment Standards
Section 8 Housing Choice Voucher, Project Based and
Moderate Rehabilitation, Single Room Occupancy Programs

Eff. Date	SRO	0-Studio	1 BR	2 BR	3BR	4BR
10/15/2013-new contracts; 12/1/13-existing	854	1,139	1,380	1,736	2,424	2,974
12/1/2012	736	981	1,190	1,497	2,091	2,565
12/1/11	794	1,023	1,235	1,463	1,983	2,280
7/15/11 Areas 2, 4, 5	767	1,023	1,235	1,463	1,983	2,280
7/15/11 Areas 1, 3	767	1,071	1,294	1,532	2,078	2390
12/01/10	803	1,071	1,294	1,532	2,078	2,573
12/01/09	794	1,059	1,278	1,515	2,054	2,543
08/02/09	747	996	1,202	1,554	2,107	2,608
12/01/08	746	995	1,202	1,425	1,932	2,393
12/17/07	715	953	1,151	1,363	1,848	2,288
05/01/07	721	961	1,160	1,472	2,034	2,474
03/01/07	721	961	1,160	1,375	1,864	2,080

