Office of the Executive Director

Item 5E

NEW BUSINESS

April 11, 2019

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

From: William E. Wilkins, 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

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, equal to 110% of the Fair Market Rents (FMRs) effective April 15, 2019.

BACKGROUND

In August 2018, HUD released the Fair Market Rents via federal notice, for BHA’s geographical market area, comprised of Alameda and Contra Costa Counties. FMRs are used by housing authorities to establish Payment Standards, the maximum allowable for units in the Section 8 program. Regulations require that housing authorities set Payment Standards at amounts between 90% - 110% of the FMRs, and it is up to each authority to determine a Payment Standard that will be attractive enough to landlords (i.e. competitive in the open market) so that households renting with a Section 8 voucher may be able to find a unit they can afford at the tenant rent formula of 30% of adjusted income.

The 2018 BHA Payment Standards were unchanged from 2017 because (a) the Payment Standards still fell within 90 – 110% of the FMRs for 2018; (b) of the HAP shortfall whereby we did not receive sufficient HAP funding from HUD to support an increase in Payment Standard; and, (c) an indication that rents were beginning to stabilize.

The original 2019 FMRs decreased on average 9.4% by bedroom size. The federal notice allowed for a comment period, to October 1, 2018. BHA submitted comments to HUD, in conjunction with other local housing authorities on September 27th, requesting reevaluation of the FMRs for our market area. Requesting reevaluation allowed BHA and the other partnering housing authorities to hold the 2018 FMRs in place.

Local area housing authorities pooled resources together to fund a Request for Proposals to hire a consultant to conduct a statistically sound market rent survey. The price of this rent survey was split among the housing authorities, proportional to each agency’s program size, in the counties of Contra Costa and Alameda. The FMRs remained in place until HUD made a determination on the data provided from the study.
The results of the market study submitted to HUD did not produce a desired outcome of increasing the FMRs back to previous levels, an indication that the rental market has started to stabilize, and on March 14, HUD published revised 2019 FMRs that are slightly higher than the August FMRs (by approx. 0.70%), but still below the 2018 FMRs (by an average of 8.7%), for all bedroom sizes, except for the 4 BR FMR which increased. Consequently, the existing 2018-2019 Payments Standards exceeded the 110% (of FMR) threshold by 1%-3%.

**DISCUSSION**

Though the FMRs have decreased, thus causing Payment Standards to decrease for new contracts, HUD allows housing authorities to determine whether to decrease Payment Standards for existing contracts. Currently BHA’s Administrative Plan is written such that when a decrease in Payment Standards occurs, the lowered PS must be implemented at the 2nd annual reexam after the Payment Standard decrease is made, in effect, starting April 2021. This allows families a year advance notice, that they may wish to move to a lower cost unit if they cannot afford the difference between the previous Payment Standard and the reduced PS. Landlords are not required to take a reduction in contract rent because of a lowered PS.

Staff believes that maintaining a Payment Standard at 110% of the newly released FMR is prudent, since voucher holders are still experiencing challenges finding units. Now that BHA is out of shortfall status, we are re-issuing vouchers from the Tenant-based waitlist, as well as special purpose vouchers from the Mainstream program, VASH, and Project Move-up. Vouchers are only as good as the number of willing landlords wishing to rent their units to BHA’s program participants.

Staff also suggests a future revision to the Administrative Plan, which can be made in the 2020 Annual Plan/Admin Plan process, to reflect a new allowable HOTMA (Housing Opportunity Through Modernization Act) regulation, keeping a higher PS in effect for existing contracts, until such a time that a family decides to move. This would negate current Admin. Plan language that at the 2nd annual reexam, families’ PS will be lowered and thus burdened by an increase in their rent portion, since BHA’s portion paid to the landlord would decrease.

**STATUS**

Staff proposes the Payment Standard be set at 110% of the published 2019 FMR effective April 15, 2019, for new contracts. Staff also proposes that the 2020 Admin. Plan be changed to reflect a new HUD allowance for Payment Standards of existing contracts to go unchanged until an assisted family vacates the unit.

<table>
<thead>
<tr>
<th></th>
<th>SRO*</th>
<th>0 (studio)</th>
<th>1 BR</th>
<th>2 BR</th>
<th>3 BR</th>
<th>4 BR</th>
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<tbody>
<tr>
<td><strong>Current PS</strong></td>
<td>$1,183</td>
<td>$1,578</td>
<td>$1,895</td>
<td>$2,390</td>
<td>$3,318</td>
<td>$3,824</td>
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<tr>
<td><strong>HUD Revised</strong></td>
<td>----</td>
<td>$1,409</td>
<td>$1,706</td>
<td>$2,126</td>
<td>$2,925</td>
<td>$3,587</td>
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<tr>
<td><strong>2019 FMR, Eff. 4/15/19</strong></td>
<td>for new contracts</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>BHA Proposed PS at 110% of the FMR</strong></td>
<td>$1,161</td>
<td>$1,549</td>
<td>$1,876</td>
<td>$2,338</td>
<td>$3,217</td>
<td>$3,945</td>
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<tr>
<td><strong>$ Decrease/Increase in PS</strong></td>
<td>($22)</td>
<td>($29)</td>
<td>($19)</td>
<td>($52)</td>
<td>($101)</td>
<td>+$121</td>
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</table>

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

**FINANCIAL IMPLICATIONS OF ACTION**

A lower payment standard would enable the housing authority to lease more vouchers. However, if the new revised Payment Standards are not high enough to attract landlords to the program, the risk of decrease in program utilization also exists, which could impact voucher holders’ ability to rent in Berkeley. This would also cause a decrease in our Administrative Fee revenue that pays for BHA’s administrative expenses. By changing the Administrative Plan policy to allow existing contracts’
Payment Standards to remain in effect, even though the PS have decreased for new contracts, it is likely current households will choose not to move, if it means a decrease in unit options. Once again staff will review the FMRs issued in August for 2020 to determine whether an additional change to the PS will be necessitated again in the fall of 2019.

CONTACT PERSON
William E. Wilkins, Executive Director, Berkeley Housing Authority, 981-5471
Jesy Yturralde, Finance Manager, 981-5488
Rachel Gonzales-Levine, Management Analyst, 981-5485

Attachments:
1. Resolution
2. Exhibit A – Payment Standard Schedule (current and historical)
RESOLUTION NO. 19-____

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 REVISED FY 2019 FAIR MARKET RENTS (FMRs), EFFECTIVE APRIL 15, 2019

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

WHEREAS, on August 31, 2018, the U.S. Department of Housing and Urban Development published the 2019 Fair Market Rent amounts which reflect a decrease Fair Market Rents for all bedroom sizes; and

WHEREAS, the Payment Standard must be within 90 and 110% of the published HUD Fair Market Rents; and

WHEREAS, BHA submitted comment to HUD on October 1, 2018 regarding the published FMRs and participated in a rental market study with partnering area housing authorities; and

WHEREAS, submission of the comment and participation in the rental market study allowed the 2018 PS to remain in effect; and

WHEREAS on March 14, 2019 HUD published in the Federal Register the revised 2019 FMRs based on the rental market study submitted to HUD to be in effect as of April 15, 2019; and

WHEREAS the March 14, 2019 FMRs increased slightly from the August 31, 2018 FMRs;

WHEREAS the current payment standards will exceed HUD’s threshold by 1%-3%;

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, equal to 110% of the revised 2019 Fair Market Rents, attached hereto and identified as Exhibit A, effective April 15, 2019 for new contracts.

The foregoing Resolution was adopted by the Board of the Berkeley Housing Authority on April 11, 2019 by the following vote:

Ayes:

Noes:

Absent:

Abstain:

Attest: __________________________

William E. Wilkins, Secretary
### Proposed Payment Standards

**Section 8 Housing Choice Voucher, Project Based and Moderate Rehabilitation, Single Room Occupancy Programs**

<table>
<thead>
<tr>
<th>Eff. Date</th>
<th>SRO</th>
<th>0-Studio</th>
<th>1 BR</th>
<th>2 BR</th>
<th>3BR</th>
<th>4BR</th>
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<tr>
<td><strong>4/15/2019 New</strong></td>
<td>$1,161</td>
<td>$1,549</td>
<td>$1,876</td>
<td>$2,338</td>
<td>$3,217</td>
<td>$3,945</td>
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<td><strong>11/1/2017 New and Existing</strong></td>
<td>$1,183</td>
<td>$1,578</td>
<td>$1,895</td>
<td>$2,390</td>
<td>$3,318</td>
<td>$3,824</td>
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<td><strong>11/1/16 New</strong></td>
<td>$1,183</td>
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<td><strong>01/1/17 Existing</strong></td>
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<td><strong>01/01/15 Existing</strong></td>
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<td><strong>05/01/07</strong></td>
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