



## Berkeley Housing Authority

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*Office of the Executive Director*

Item 6C

**NEW BUSINESS**

October 30, 2014

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 November 1, 2014 for new contracts, and January 1, 2015 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 November 1, 2014 for new contracts, and January 1, 2015 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 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).

### DISCUSSION

On October 1, 2014, HUD issued the final Fair Market Rents (FMR) allowing BHA to move forward with our annual revision of the Payment Standards. This action is critical given the significant increases in market rents.

Why adopt a 110% of Fair Market Rent Payment Standard

This past year we were confronted with significant increases in market rents, and new competition for rental units in south and west Berkeley (neighborhoods where S8 tenancies have been prevalent). Anecdotal information, news reports, and rent "Comps" submitted by owners in support of requests for rent increases all suggest 2-bedroom rents of \$2,000 or more are not uncommon. Even with a Payment Standard at 110% of Fair Market Rent (FMR) we are witnessing a loss of long-time S8 units upon termination of a S8 assisted tenancy. This reduction in supply is also translating to a high volume of requests from families to port-out (transfer) their assistance to another jurisdiction (Oakland or one of the 12 cities serviced by Alameda County Housing Authority) where there is a greater supply of affordable housing units.

Thus, while the 110% Payment Standard will require more subsidy per household, and thus, result in our serving fewer than the authorized 1,935 households, such a PS is required if our Voucher holders are to experience any level of success in securing a rental unit in Berkeley. Fewer assisted households also translates to less Administrative Fee earning potential. Notwithstanding these two facts, BHA may have to request HUD approval of a 120% exception payment standard for all bedroom sizes, in all parts of the city because of:

- a. the dwindling supply of modest units within the Payment Standard;
- b. the low/declining success rate of voucher holders below 75% (currently 43.48%); and
- c. the increasing number of families required to pay more than 30% of adjusted monthly rent to continue residing in Berkeley maintain housing.

With any Payment Standard, it remains critical that we use all the tools available to (1) further owner retention, (2) recruit new participation, (3) maintain policies that provide for the minimum level of subsidy required, and (4) ensure families pay their fair share of the monthly rent.

STATUS

Staff proposes the Payment Standard be set at 110% of the published 2015 FMR, the maximum allowed without HUD approval.

	SRO*	0	1	2	3	4
Current PS	\$854	\$1,139	\$1,380	\$1,736	\$2,424	\$2,974
HUD Final 2015 FMR	\$779	\$1,039	\$1,260	\$1,585	\$2,213	\$2,716
BHA Proposed PS at 110% of HUD 2015 FMRs	\$856	\$1,142	\$1,386	\$1,743	\$2,434	\$2,987
Variance (New - Old PS)	\$2	\$3	\$6	\$7	\$10	\$13

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

We typically begin the annual recertification process for program participants 90-120 days in advance of the effective (contract anniversary) date. This allows staff to complete the certification and (a) provide the mandatory 30-day notice of any increase in family rent, and (b) submit the completed certification to HUD (the monthly 50058 report). Thus, staff are currently processing /finalizing certifications for recertifications effective December 2014 and January 2015.

It is important to note the phase-in of the new Payment Standard: immediately for new contracts, and gradually – over the next 12 month period for existing tenancies (approximately 150 contracts per month). HUD regulations require that a *higher* Payment Standard be applied at the next annual recertification; a lower Payment Standard is applied at the *second* annual recertification.

Our Finance Department has tools that monitor HAP expenditure on a monthly balance against HAP funding, and alert management when we should begin reducing program size to avoid any involuntary contract termination. In addition, 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 million. The current HAP reserve is approximately \$2.3 million; funding for calendar year 2015 is anticipated in January.

A Payment Standard in excess of 100% of FMR 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) landlords disinterested in participating in the Section 8 program; (b) families not being able to secure a modest unit without being rent burdened, and (c) 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. 14-\_\_\_\_\_

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 FY2015 FAIR MARKET RENTS (FMRs), EFFECTIVE NOVEMBER 1, 2014 FOR NEW CONTRACTS, AND JANUARY 1, 2015 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 2015 Fair Market Rent amounts which reflect a slight increase in Fair Market Rents for all bedroom sizes; and

WHEREAS, the final Fair Market Rents were published on October 1; 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, 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 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 November 1, 2014 for new contracts and January 1, 2015 for existing contracts.

The foregoing Resolution was adopted by the Board of the Berkeley Housing Authority on October 30, 2014 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**

<b>Eff. Date</b>	<b>SRO</b>	<b>0-Studio</b>	<b>1 BR</b>	<b>2 BR</b>	<b>3BR</b>	<b>4BR</b>
11/1/14 New 01/01/15 Existing	857	1,142	1,386	1,743	2,434	2,987
10/15/2013-New 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