



Berkeley Housing Authority

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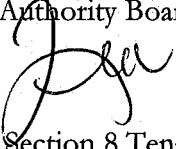
Office of the Executive Director

Item 6C

NEW BUSINESS

November 12, 2015

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

RECOMMENDATION

Adopt a new resolution authorizing a new 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 12, 2015 (or as soon thereafter as possible) for new contracts, and effective January 1, 2016 for existing contracts.

BACKGROUND

On October 22, 2015, the Board authorized its maximum authority, and approved a new Payment Standard, set at 110% of the 2016 Fair Market Rents.

We had our first experiences with the new, lower Payment Standard earlier this month.

- In one instance an owner was taken aback to learn that after removing the unit from the market, and giving a family with S8 assistance a move-in date, the amount of rent we would approve had been reduced. The owner increased the security deposit, and allowed the family to take occupancy.
- We were not so fortunate in another instance; after learning of the reduced payment standard, the owner contacted the office to remove the unit she had recently included on our available unit listing report.

On November 6, 2015 the San Francisco Field Office issued an email advising the delay in implementation of the 2016 proposed Fair Market Rents (FMR) until the rates are published in final form (Attachment 1).

On November 6, 2015 (received on November 9th) Department Headquarters issued written notice that (1) acknowledged the formula used to arrive at the 2016 Fair Market Rents (FMRs) does not reflect local market rents, and (2) advised the ability to request an *emergency exception Payment Standard* up to 125 percent of the FMRs (Attachment 2).

STATUS

Staff is finalizing the written request for an emergency exception Payment Standard of 125% of the 2016 FMR.

Responding and implementing changes on an incremental basis is necessary in terms of owner attraction and retention, and reducing the rent burden on families, but administratively taxing, and can lead to tremendous confusion.

We are proposing an effective date of January 1, 2016 for existing contracts to avoid redoing the annual recertifications for November and December, and sending revised rent notices to owners and families. We are proposing an immediate effective date (upon approval from HUD) for new contracts as a means of attracting and retaining landlords. Caution – we are closely monitoring HAP expense to insure we can meet our financial obligations.

	SRO*	Studio	1-BR	2-BR	3-BR	4-BR
Current PS	\$857	\$1,142	\$1,386	\$1,743	\$2,434	\$2,987
HUD estimated 2016 FMR	\$768	\$1,025	\$1,235	\$1,562	\$2,177	\$2,427
BHA Proposed PS at 125% of HUD 2016 FMRs	\$960	\$1,281	\$1,543	\$1,874	\$2,721	\$3,033
Variance (New - Old PS)	+\$103	+\$139	+\$157	+\$131	+\$287	+\$46

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

FINANCIAL IMPLICATIONS OF ACTION

The higher Payment Standard will:

- 1) Allow BHA to be slightly more competitive in attracting new landlord participation (may increase admin fee earnings);
- 2) Minimize the rent burden for some tenants (who recently lost the utility allowance);
- 3) Set off a new flurry of requests from landlords to increase the rent on existing contracts (an increase in staff work);
- 4) Increase the average monthly rent subsidy, and require a larger expenditure of annual budget authority; and
- 5) Diminish the ability to award new Project Based Vouchers.

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)
3. Nov 6, 2016 Letter from Lourdes Castro-Ramirez/Katherine O'Reagan, HUD Headquarters

RESOLUTION NO. 15-_____

APPROVING A RESOLUTION, ESTABLISHING THE PAYMENT STANDARD SCHEDULE FOR THE SECTION 8 TENANT BASED AND PROJECT BASED VOUCHER PROGRAMS, AND THE MODERATE REHABILITATION, SINGLE ROOM OCCUPANCY PROGRAM, TO 125% OF THE FY2016 FAIR MARKET RENTS (FMRs), EFFECTIVE JANUARY 1, 2016 FOR EXISTING CONTRACTS, AND NOVEMBER 12, 2015, SUBJECT TO HUD APPROVAL FOR NEW 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 (HUD) has published the proposed 2016 Fair Market Rent amounts which reflect a decrease in Fair Market Rents for all bedroom sizes; and

WHEREAS, the Board, on October 22, 2015, adopted a Payment Standard schedule at the maximum allowed, 110% of Fair Market Rent; and

WHEREAS, the Payment Standard at 110% of Fair Market Rent was significantly below current market rents; and

WHEREAS, HUD issued notice of a process of securing an emergency Exception Payment Standard up to 125% of the Fair Market Rents; and

WHEREAS, a Payment Standard of 125% of Fair Market Rents is one tool available in our effort to retain and attract owners to participate in the Section 8 Voucher Program; and

WHEREAS, HUD has agreed to expedite review and approval of requests for the emergency Exception Payment Standard; and

WHEREAS, Board approval is required to implement a change in Payment Standard;

NOW THEREFORE, BE IT RESOLVED, that the Board of the Berkeley Housing Authority rescinds 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 2016 Fair Market Rents, attached hereto and identified as Exhibit A, effective November 1, 2015 for new and existing contracts.

FURTHER RESOLVED, BHA will continue its efforts to obtain HUD approval of an exception Payment Standard at 120% of 2015 Fair Market Rents.

FURTHER RESOLVED, the Executive Director is authorized to rescind this approval administratively, and implement the highest possible higher Payment Standard at the earliest possible date in response to any action, published announcement, and approval from HUD.

The foregoing Resolution was adopted by the Board of the Berkeley Housing Authority on November 12, 2015 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
11/12/2016 New 1/1/2016 Existing	\$960	\$1,281	\$1,543	\$1,874	\$2,721	\$3,033
10/01/2015	\$845	\$1,127	\$1,358	\$1,718	\$2,394	\$2,669
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



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-6000

NOV 06 2015

Mrs. Tia Ingram
Executive Director
Berkeley Housing Authority
1936 University Ave, Suite 150
Berkeley, CA 94704

Dear Mrs. Ingram

Thank you for sharing your concerns about the Department of Housing and Urban Development's proposed Fiscal Year (FY) 2016 Fair Market Rents (FMRs), which you note may not be keeping pace with rents in the Bay area. We are aware that this circumstance could make it harder for public housing authorities (PHAs) to maintain their success and leasing rates; more importantly, we understand that families are likely to be affected.

In your letter and during the call with Secretary Castro, you requested that HUD not implement the proposed FY 2016 FMRs for the area and instead rely on more current data for FY 2016. By statute, the Department must use the most current data available when calculating the FMRs. For the FY 2016 FMRs, HUD has relied on local market data on gross rents and market rent increases through 2014 using a combination of American Community Survey (ACS) data from 2013 and Bureau of Labor Statistics Consumer Price Index data. HUD then uses a national trend factor of annual growth in gross rents over the past five years to bridge the gap between 2014 and the timeframe over which the FMRs are effective (FY 2016). In response to your request that HUD consider using more recent ACS data for the FY 2016 FMRs, the timing of the release of the 2014 ACS data precludes HUD from using it in the FY 2016 FMRs. While the Census Bureau completes the release of data in December 2015, the special tabulations HUD uses to calculate FMRs will not be available until April 2016 – at which point HUD will be calculating FY 2017 FMRs using the new 2014 ACS data.

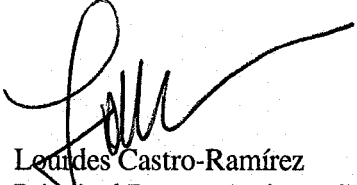
Given national trending, however, these data may not capture recent changes in rents for markets that are changing very rapidly. The Department has evaluated the vacancy rate in the Oakland area and determined that the vacancy rate of 1 percent is very low, and qualifies for emergency Exception Payment Standards. To provide some immediate relief, the Department will approve emergency Exception Payment Standards up to 125 percent of the Area FMR for Public Housing Authorities in the Oakland FMR area. PHAs interested in requesting emergency Exception Payment Standards should request them in writing from our San Francisco Field Office, its local HUD field office. Our Field Office and Headquarters teams will expedite the approval process to ensure impacted PHAs experience relief quickly.

Currently, we are providing support to several housing authorities in the Oakland area that are pursuing a local rent survey, explaining HUD's calculations and providing support to contractors. When the local survey data are available, HUD will work quickly to revise the 2016 FMRs to incorporate them (that data will be for 2015, and will represent the most recent available data – more recent than any ACS data described above that could be available). HUD recognizes that housing authorities opting to undertake a local survey are using some of their scarce resources

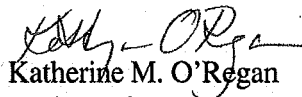
to do so. Unfortunately, HUD has limited ability to shoulder the cost of the survey. Due to sequestration-related budget decisions, coupled with the availability of the ACS as previously mentioned, the Department no longer includes funding for these types of surveys.

Thank you again for expressing your concerns. Over the long term, we hope to improve the ability of our FMRs to keep pace with local market costs and are considering changes to the methodology, such as incorporating forecasting into our trend factors. Please let us know if you have any additional concerns.

Sincerely,



Lourdes Castro-Ramírez
Principal Deputy Assistant Secretary
Office of Public and Indian Housing



Katherine M. O'Regan
Assistant Secretary
Office of Policy Development & Research

cc:

Barbara Lee, United States Representative