



Berkeley Housing Authority

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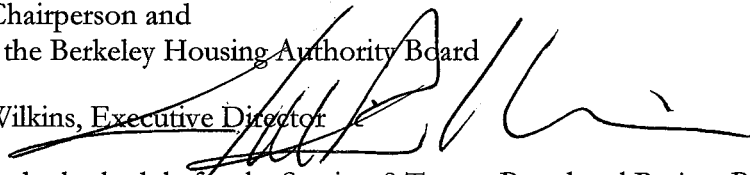
Office of the Executive Director

Item 6.D

NEW BUSINESS

October 13, 2016

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, equal to **110%** of the Fair Market Rents (FMRs), effective November 1, 2016 for new contracts and January 1, 2017 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, equal to **110%** of the Fair Market Rents (FMRs), effective November 1, 2016 for new contracts and January 1, 2017 for existing contracts.

BACKGROUND

In the past, the U.S. Department of Housing and Urban Development (HUD) issues *proposed* new schedules of Fair Market Rents (FMRs) each August. Because of a provision of the Housing Opportunities Through Modernization Act of 2016 (HOTMA): (a) proposed FMRs will no longer be published and (b) FMRs are considered final unless a Public Housing Authority (PHA) requests reevaluation of the FMRs. 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 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

At the September 8 meeting, the BHA Board adopted a payment standard equal to 105% of the new FMRs effective October 1, 2016 for new contracts and November 1, 2016 for existing contracts.

You may also recall the Field Office suggested increasing the payment standard to 110%, and if necessary 120% (with HUD waiver) to increase the utilization of our Annual Budget Authority (ABA). Lease up is one of the SEMAP (Section 8 Management Assessment Program) indicators whereby a

PHA's performance is graded by HUD. Ideally, PHA should utilize at least 95% of its unit months available or ABA to earn the highest points in this indicator. As of September, we are only 84% leased up in ACC and 93% in ABA. However, the Field Office is not only concerned about the potential of a low SEMAP score in 2017, they are also alarmed because of a potential recapture of a significant HAP reserve that may result from our low utilization.

On October 4th, HUD staffer Sarah Glover-Johnson provided a training/refresher on the use of HUD's Two Year Tool to a handful of BHA staff. Using existing data, including but not limited to BHA's current lease up rates, success rate, attrition, HAP cost and payment standard; the tool calculates the projected HAP expenses over a two-year period. It appears that at 84% unit lease up, BHA will have over \$4 million in HAP reserve (a high 17.4%) at the end of the current calendar year. This HAP reserve (if not recaptured) could be used to pay HAP in the following calendar year (2017). With a payment standard of 110% of FMRs in effect on January 1, 2017 for existing contracts, we anticipate an increase of 11% in HAP expenses in 2017. However, we anticipate that the projected funding for 2017 plus HAP reserve available at the beginning of the calendar year will fully support the higher HAP expense in CY2017, and still have over a million dollars in HAP reserve at the end of the calendar year. Staff believes that increasing payment standard to 110% effective January 1, 2017 is a win-win for owners, participants and BHA because (1) it will increase contract rent of the Section 8 units; (2) alleviate rent burden of participants; and (3) increase HAP utilization in CY 2017 which will be used as the basis in our funding for the following calendar year (2018).

STATUS

Staff proposes the Payment Standard be set at 110% of the published 2017 FMR effective November 1, 2016 for new contracts and January 1, 2017 for existing contracts.

| | SRO* | 0 | 1 | 2 | 3 | 4 |
|---|-------------|----------|----------|----------|----------|----------|
| HUD 2017 FMR | \$--- | \$1,435 | \$1,723 | \$2,173 | \$3,017 | \$3,477 |
| BHA PS at 105% of HUD 2017 FMRs | \$1,129 | \$1,506 | \$1,809 | \$2,281 | \$3,167 | \$3,650 |
| BHA Proposed PS at 110% of HUD 2017 FMRs | \$1,183 | \$1,578 | \$1,895 | \$2,390 | \$3,318 | \$3,824 |
| Variance (New PS - Old PS) | +\$54 | +\$72 | +\$86 | +\$109 | +\$151 | +\$174 |

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

FINANCIAL IMPLICATIONS OF ACTION

The increase in Payment Standard likely will increase: landlord incentive to participate in the Section 8 Program and the units available to voucher holders; program utilization; and administrative fee earnings. It will likely will cause an increase HAP expenditure as landlords request rent increases up to the new Payment Standard. Based upon information presently available, we are confident that our HAP reserve and HAP funding will support the increase.

CONTACT PERSON

William E. Wilkins, Executive Director, Berkeley Housing Authority, 981-5471
 Jesy Yturralde, Finance Manager, 981-5488

Attachments:

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

RESOLUTION NO. 16-_____

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 FY 2017 FAIR MARKET RENTS (FMRs), EFFECTIVE NOVEMBER 1, 2016 FOR NEW CONTRACTS AND JANUARY 1, 2017 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 2017 Fair Market Rent amounts which reflect a slight increase in Fair Market Rents for all bedroom sizes; and

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

WHEREAS, an increase in the 2017 Fair Market Rents is an incentive to retention and attraction of landlords to the voucher programs; and

WHEREAS, with the Housing Opportunities Through Modernization Act of 2016 (HOTMA): (a) proposed FMRs will no longer be published and (b) FMRs are considered final unless a Public Housing Authority (PHA) requests reevaluation of the FMRs; and

WHEREAS, the 2017 Fair Market Rents are slightly higher than the 2016 Fair Market Rents;

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 2017 Fair Market Rents, attached hereto and identified as Exhibit A, effective November 1, 2016 for new contracts and January 1, 2017 for existing contracts.

The foregoing Resolution was adopted by the Board of the Berkeley Housing Authority on October 13, 2016 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

| Eff. Date | SRO | 0-Studio | 1 BR | 2 BR | 3BR | 4BR |
|------------------------------------|------------|-----------------|-------------|-------------|------------|------------|
| 11/1/16 New 01/1/17 Existing | \$1,183 | \$1,578 | \$1,895 | \$2,390 | \$3,318 | \$3,824 |
| 10/1/16 New 11/1/16 Existing | \$1,129 | \$1,506 | \$1,809 | \$2,281 | \$3,167 | \$3,650 |
| 2/12/16 New 4/1/16 Existing | \$1,086 | \$1,449 | \$1,746 | \$2,208 | \$3,078 | \$3,431 |
| 11/01/2015 | \$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 |