



Berkeley Housing Authority

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Office of the Executive Director

Item 6G

NEW BUSINESS

January 14, 2016

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

From: Tia M. Ingram, Executive Director 

Subject: Adoption of Section 8 Payment Standard/schedule for the Section 8 Tenant Based and Project Based Voucher Programs, and the Moderate Rehabilitation, Single Room Occupancy Program

RECOMMENDATION

Adopt resolutions:

- a. Rescinding Resolution No. 15-29, approved on November 12, 2015, establishing a new Payment Standard;
- b. Establishing a payment standard equal to 110% of the final 2016 effective December 11, 2015 for new and existing contracts;
- c. Authorizing implementation of a payment standard, between 100 and 110% of the HUD approved *revised* final FMR's based on rent data submitted by local Housing Authorities effect the date of HUD approval.

BACKGROUND

This has been a particularly challenging year with regard to what should be a simple process of updating the Payment Standard to reflect current market rents, and thus improve the success rate of voucher holders seeking a rental unit to call home. Unfortunately, the experience has been anything but routine. Briefly:

- On September 8, 2015 HUD published draft 2016 Fair Market Rents that reflected a **decrease** in rental rates; local PHAs submitted comments, and strongly opposed implementation.
- On October 22, 2015, the Board utilized its maximum authority, and approved Resolution 15-25 adopting a new Payment Standard, set at 110% of the published, draft 2016 Fair Market Rents [this was done to avoid BHA being in violation of the rule requiring Payment Standards to be between 90 and 110% of FMRs].
- On November 12, 2015, the Board rescinded Resolution 15-25, and approved Resolution 15-29 establishing a Payment Standard schedule for the Section 8 Tenant Based and Project Based Voucher Programs, and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 FMRs effective January 1, 2016 for existing contracts and November 12, 2015, for new contracts, subject to HUD approval.

- On November 17, 2015, we were advised by HUD Field Office staff that we could ignore the published draft FMRs, take no action, and revise our Payment Standard after publication of the Final FMRs (with the caveat that the final FMRs could be effective retroactive to October 1st). We made an administrative action to ignore the draft FMRs, and instructed staff to continue using the higher 2015 Payment Standard pending publication of Final FMRs.
- On December 11, 2015 HUD published the final FMRs. They were slightly higher than the draft 2016 FMR rates, but still slightly below the 2015 FMRs.
- On November 6, 2015 we received approval of our request for an emergency Exception Payment Standard of 125% of the 2016 Final FMR. Two important conditions attached to the approval:
 - Approval is only valid through the earlier of March 30, 2016 or HUD approval of revised FMRs; and
 - Understanding that HUD will not increase HAP funding to offset the increase in subsidy.

While appreciative of the effort of our fellow Housing Authority Executive Directors, and in particular, Congresswoman Barbara Lee, absent an increase in funding, implementation of the 125% Payment Standard (and increase in HAP expense) could result in result in the involuntary termination of 32 to 220 current program participants due to lack of funding (the impact varies based on action by HUD to recapture HAP reserves).

STATUS

We currently have approximately 1,664 households receiving rental assistance. These cases must be managed (renewed) annually, and staff must respond to requests from owners for rent increases, and requests from families for interim reviews (when there is income/family composition change). Each transactions requires entering the Payment Standard in the computer software, and the certification that is ultimately submitted to HUD.

The recommendations presented:

1. The first recommendation eliminates the higher temporary, unfunded Payment Standard (based on the 125% exception approval) adopted on November 12, 2015.
2. The second recommendation adopts the highest possible Payment Standard possible (under local authority) utilizing the 2016 Final FMRs.
3. The third recommendation will allow staff to immediately implement a higher (more realistic) Payment Standard upon receipt of notice from HUD that the data submitted by local PHAs has been accepted, and the FMRs revised to more accurately reflect our high cost rental market. NOTE: should BHA exhaust Annual Budget Authority (ABA) under this option, the Authority would be eligible for “*set aside*” funding to preserve the assisted tenancies.

It is important to note that we may have problems with our audit and SEMAP certification for FY 2015-16. Because renewals (annual reexaminations) are processed 30-90 days in advance of the anniversary – considerable work has been (and will be) processed while we await adoption and implementation of the changes. The only way to avoid this – would be to recreate each of the certifications, and send new “rent notices” to the family and landlord. A clean audit report, and

preservation of “high performer” status does not justify the added work for staff, or the confusion (and bad will) that would be created with owners and families.

Payment Standards based on 110% of the Final 2016 FMR is shown below.

	SRO*	Studio	1-BR	2-BR	3-BR	4-BR
Current 2015 PS	\$857	\$1,142	\$1,386	\$1,743	\$2,434	\$2,987
HUD Final 2016 FMR	\$777	\$1,037	\$1,249	\$1,580	\$2,202	\$2,455
BHA Proposed PS at 110% of HUD 2016 FMRs	\$854	\$1,140	\$1,373	\$1,738	\$2,422	\$2,700
Variance (New – 2015 PS)	-\$3	-\$2	-\$13	-\$5	-\$12	-\$287

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

The table below reflects our approximation of the Payment Standard at 110% of the anticipated revised 2016 FMRs based on the data recently collected for the local PHA study.

	SRO*	Studio	1-BR	2-BR	3-BR	4-BR
Current PS	\$857	\$1,142	\$1,386	\$1,743	\$2,434	\$2,987
NEW HUD 2016 FMR based on rental market survey			Study only gives us 2 BR data→	\$2,119		
BHA Proposed PS at 110% of New HUD 2016 FMRs based on rental market survey				\$2,330		
Variance (New – 2015 PS)				+\$587		

FINANCIAL IMPLICATIONS OF ACTION

The Payment Standard (110% of Final 2016 FMRs) will:

- 1) Not provide for any increase over BHA’s 2015 Payment Standard amounts. Likely to continue to see a decline in owner participation until HUD approves the 2016 FMRs resulting from the survey, and BHA adopts a standard between 100 and 110% of those FMRs;

The substantially higher 100 to 110% of the revised final FMRs will:

- 2) Allow families subject to annual recertification to preserve the allowance for tenant paid utilities;
- 3) Serve as an incentive to new/existing owner participation;
- 4) Set off a new flurry of requests from landlords to increase the rent on existing contracts (an increase in staff work);
- 5) Increase the average monthly rent subsidy, and require a larger expenditure of annual budget authority;
- 6) Diminish the ability to award new Project Based Vouchers (pending an increase in budget authority).

CONTACT PERSON

Tia Ingram, 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-_____

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 110% OF THE FINAL FY2016 FAIR MARKET RENTS (FMRs), EFFECTIVE DECEMBER 11, 2015 FOR NEW AND EXISTING CONTRACTS, AND UPON HUD APPROVAL, IMPLEMENT A NEW PAYMENT STANDARD 100% - 110% OF ANY REVISED FINAL 2016 FMRs BASED ON THE RECENT LOCAL PUBLIC HOUSING AUTHORITY STUDY, EFFECTIVE DATE OF HUD NOTIFICATION

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

WHEREAS, on September 8, 2015, 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, approved and adopted Resolution 15-25 establishing a Payment Standard schedule at the maximum allowed, 110% of the proposed 2016 Fair Market Rent; and

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

WHEREAS, on Nov. 12, 2015 the Board of the Berkeley Housing Authority rescinded Resolution 15-25 and authorized Resolution 15-29 adopting 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 125% of the proposed 2016 Fair Market Rents effective November 1, 2015 for new and existing contracts; and

WHEREAS, on December 11, 2015, the U.S. Department of Housing and Urban Development (HUD) has published the final 2016 Fair Market Rent amounts which reflect a slight increase in Fair Market Rents for all bedroom sizes as compared to the proposed 2016 FMRs; and

WHEREAS, BHA joined in a regional collaborative effort to partake in a study of area market rents to provide current market data to HUD so that the FMRs would reflect accurate rental market data and BHA would be able to maintain current and attract new landlords to the program; and

WHEREAS, on December 18, 2015 results of the Fair Market Rent Survey were issued that found rents in the region to be 34% more than the HUD published Final FMRs; and

WHEREAS, if BHA exhausts Annual Budget Authority by funding rental assistance to families that received new Section 8 Vouchers prior to adoption of the new, higher Payment Standard, we will be eligible for "set-aside" funding; and

WHEREAS, it is uncertain as to whether HUD will recapture HAP reserves or provide additional budget authority to support the higher FMRs that reflect the market study; 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 Resolution 15-29 and 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 Final Fair Market Rents, attached hereto and identified as Exhibit A, effective December 11, 2015 for new and existing contracts.

FURTHER RESOLVED, BHA will adopt 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, between 100 - 110% of the revised 2016 Fair Market Rents based on recent local public housing authority study, effective date of HUD notification.

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 January 14, 2016 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
12/11/2015	\$854	\$1,140	\$1,373	\$1,738	\$2,422	\$2,700
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