



Section 8 Owner News July 2011

New Payment Standards versus Rent Reasonableness

Do you know the difference between **Payment Standard** and **Rent Reasonableness**? Both have a significant role in the amount of rent the owner receives, but each plays a very different role. The **Payment Standard** represents the maximum allowable monthly assistance BHA can pay towards a family's rent; it **DOES NOT** determine or limit the rent a landlord can charge. What the landlord can charge for rent, with or without S8 assistance, **IS** determined by the market at the time. **Rent Reasonableness** is a business determination as to what unassisted rental units (in the same or similar areas), of similar quality, and with similar amenities and services, are renting for in the open market. BHA is required to evaluate Rent Reasonableness at the start AND throughout the life of the contract, allowing for increases or decreases as appropriate. For years, owners seeking a HAP contract for a 2-bedroom unit automatically assumed a contract rent equal to the 2-bedroom Payment Standard – without regard to “rent reasonableness.” That should not be the case. There are many differences between – units: some two-bedroom units are small and some are large; some are new or renovated and some are shabby even if they meet code; and some are within walking distance o the Campus and others are not.



NEW Payment Standards - HAP Contracts

Historically, BHA has adopted a single Payment Standard for the City, at 110% of the then-current Fair Market Rent (FMR) level. The rental market has changed significantly over the past few years, and HUD's Fair Market Rents have followed suit, also reduced. HUD allows each Housing Authority the discretion to establish the Payment Standard between 90 and 110% of FMR. After careful consideration of: rents for new vacancies in the City of Berkeley including review of relevant and recent City of Berkeley data, as well as Payment Standards in surrounding jurisdictions, we have revised the BHA Payment Standard to more accurately reflect current rental rates. The new Payment Standard schedule also takes into consideration the real estate market in various segments of the City. Based on current data, rents are highest in the areas most immediately adjacent to the University (areas 1 and 3 on the attached map). In these areas we are maintaining a Payment Standard of 110% of FMR for all bedroom sizes. Rents have, and continue to decline slightly in areas 2, 4 and 5, and thus we have adopted a Payment Standard of 105% of FMR for all bedroom sizes. The Payment Standards shown below are **effective July 15, 2011**, and will be reflected in all **new HAP contracts** effective on or after July 15, 2011.

| | SRO | 0 (Studio) | 1-Bedroom | 2-Bedrooms | 3-Bedrooms |
|----------------|-----|------------|-----------|------------|------------|
| Area 1 & 3 | 767 | 1,071 | 1,294 | 1,532 | 2,078 |
| Areas 2, 4 & 5 | 767 | 1,023 | 1,235 | 1,463 | 1,983 |

Existing Contracts. In the coming days we will be submitting a Waiver request to HUD to implement the new (lower) Payment Standard to **ALL existing contracts** (except those in areas 1 and 3) effective January 1, 2012. **If approved**, this will serve to reduce the portion of the rent paid by BHA. Owners are encouraged to consider lowering the current contract voluntarily, or face a requirement, beginning November 2011, to provide verifiable documentation of comparable rents to support preservation of the current contract rent. To avoid a financial hardship on current tenants, we will be advising them of the change in Payment Standard (and how it might impact their rent portion) and allowing them an opportunity to move with their S8 assistance to a less expensive unit.

We are optimistic that the ideals that first lead you to assist us by making safe and decent housing available to low- and very-low income households, will also allow you to share in the solution to the current crisis, and modify your current rent structure and future expectations. We will be convening a workshop in September to discuss in more detail, the implications of the change in Payment Standard, and share with you our experience with new leasing of vacant units under the new Payment Standards. We hope you will attend and lend your perspective to the critical discussion. If possible, please register your interest in attending via email to bha@ci.berkeley.ca.us. This will allow us to better plan the appropriate meeting space and number of handouts to prepare. If you have questions about the rent structure of any particular unit should you cease to rent the unit with Section 8 rental assistance, please contact the Rent Stabilization Program Office at (510) 981-RENT. This will get you the Public Information Unit which can explain the basics, and if necessary connect you to a counselor for more difficult questions.

Housing Quality Standards: Safe, Decent and Sanitary

We continue to appeal to you to help us (a) ensure that every assisted family has a safe and decent unit, and (b) to help us contain costs by reducing the number of inspections required to certify that the unit is HQS compliant. *We continue to experience a large number of units that fail the first scheduled annual inspection because we could not gain access to the unit.* This results in a double expense to BHA, and a delay in reporting the inspection to HUD (a program requirement). Notwithstanding some very responsible landlords, we also experience a high number of units that require at least two inspections (an initial and one reinspection) to confirm the unit meets HQS. I am pleased to report the number of cases where a unit goes into “abatement” – and payments to the owner are stopped, until a third or even fourth inspection is performed and the unit passes minimum standards– has declined, but still happens more frequently that we would like.

| | No Show | Reinspection | Abatement |
|---------------|---------|--------------|-----------|
| November 2010 | 58 | 54 | 8 |
| January 2011 | 63 | 139 | 12 |
| April 2011 | 53 | 79 | 0 |

We cannot continue assistance for a unit that does not meet HQS, and we are charged for every inspection attempt. Under current program rules we cannot pass the cost for any of the inspections on to owner or participating family. We will continue to track our inspection results and look for ways to improve our success rate. With your active cooperation, we look forward to reporting good news in the coming months. Thank you in advance for your cooperation.

It Comes with Summer

Notwithstanding the “rain in June” – we have embarked on Summer, and Summer vacation season. Kids are out of school; the days are longer – inviting people to enjoy the outdoors; more dinners are coming by way of the grill or BBQ pit; and criminals are awaiting an opportunity to prey on unsuspecting homes. Now is a great time to: check around the property and remove any overgrown weeds or other flammable materials; talk with your tenants about protecting their homes (an open window allows more in than just *fresh air* to enter); encourage them to report suspicious and/or illegal activity directly to the Berkeley Police Department when the activity is occurring (911 for emergencies, and 981-5900 for all other reports) and monitor their children to keep them safe, and prevent them from unknowingly drifting into dangerous and/or illegal behavior. It is also a good time to become an active “non-resident” in your neighborhood – by joining a Neighborhood Watch. This is an excellent way to partner with other residents and owners of property in the area – and together – work to protect your investment. For more information on the Neighborhood Watch in your neighborhood contact the Berkeley Police Department, Area Coordinator’s office at 981-5806.

REMINDER: BHA Office is closed every Friday. As a budget balancing measure – all BHA employees are furloughed – one day each month. Thank you for your cooperation. Visit us at www.cityofberkeley.info/bha. Fax 981-5480.