



DATE: February 15, 2007

TO: Honorable Chairperson and
Members of the Rent Stabilization Board

FROM: Jay Kelekian, Executive Director

BY: Steve Barton, Director, Housing

SUBJECT: Section 8 Housing Choice Voucher Payment Standards - Updated

Payment Standards set the amount of rent that a Housing Authority is allowed to subsidize in the Section 8 Housing Choice Voucher Program. The tenant must pay 30% of income for rent and utilities and in addition must pay any rent amount that is over the payment standard. Housing Authorities can set the Payment Standard at anywhere from 90% to 110% of the HUD Fair Market Rent (FMR) and must have approval from HUD to set them higher or lower. The FMR is set at either the 50th percentile or the 40th percentile of area rents for units with a certain number of bedrooms. The Berkeley Housing Authority normally sets its Payment Standard at the maximum 110% of FMR in order to allow tenants in the program to access as much of the Berkeley rental market as possible.

The Payment Standards in Berkeley were lowered by HUD directive effective March 1, 2006 because HUD lowered the FMR for the Oakland-Fremont Metropolitan Area, which includes Berkeley, from the 50th percentile to the 40th percentile. The reduction starts to take effect for people who were in the program prior to March 1, 2006 on the date when their contracts are renewed on or after March 1, 2007. Contracts are renewed throughout the year, so the effects will be phased in from March 1, 2007 to February 1, 2008.

Approximately 750 of the 1,750 BHA tenants would have been affected by this reduction because their rent was previously set at a level above the new payment standard. This means that they would have to pay as much as \$35 per month more for tenants in studios, up to \$45 for tenants in one-bedroom units, up to \$97 for tenants in two-bedroom units, and up to \$186 for tenants in three-bedroom units.

On January 25, 2007 HUD approved the BHA request for exception payment standards of 120% of FMR for two, three and four bedroom units, therefore staff is proposing to revise the Payment Standards for the Section 8 Housing Choice Voucher program accordingly at the next BHA Board meeting. The following shows the previous Payment Standard, the Payment Standard that goes into effect March 1, 2007, and the allowable new Payment Standards under the exception rents for the Section 8 Housing Choice Voucher program.

Report on Status of Section 8 Housing Choice Voucher Payment Standards

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<u>Bedroom Size</u>	<u>Previous Payment Standard</u>	<u>Current Payment Standard</u>	<u>Exception Payment Standard</u>
0 BR	\$ 996	\$ 961	\$ 961
1 BR	\$1,205	\$1,160	\$1,160
2 BR	\$1,472	\$1,375	\$1,500
3 BR	\$2,051	\$1,864	\$2,034
4 BR	\$2,474	\$2,308	\$2,519

With an increase to or near the maximum payment standard there will be little or no effect on the approximately 550 tenants in two, three and four bedroom units. Of the remaining 200 tenants affected, approximately 25 have studio vouchers. The BHA can, if necessary, issue those tenants one-bedroom vouchers, which one-person households also qualify for, and this will avoid any impact on these tenants.

The BHA continues to look for ways to reduce or eliminate the impact of the lower payment standard on the 175 tenants with one-bedroom vouchers. The BHA is asking landlords for their cooperation in this effort and some landlords have lowered their rent to the payment standard. In addition, since citywide rents for one-bedroom units do not meet the requirements for exception rent approval, the Housing Department is also examining whether it may be possible to obtain exception rents for one-bedroom vouchers for part of Berkeley and thus further reduce the impact on this group.

The statistical analysis that obtained the exception rent approval was assisted by the Rent Stabilization Board which provides the market rent data based on Rent Board information on new rentals. The BHA is currently working to develop a more detailed analysis of the amount of the increases faced by tenants in one-bedroom units.