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Staff Reports Details (With Text)

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Attachments:	1. ATCH 1 - Resolution, 2. ATCH 2 - Summary of Fair Market Rents and Payment Standards		

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2/4/2020	1	HOUSING AUTHORITY	approved	Pass

To: Honorable Chair and Commissioners

From: Vincent Smith, Community Development Director

Prepared By: Sabrina Flores, Rental Assistance Program Supervisor

TITLE:
Section 8 Housing Choice Voucher Program Payment Standards

RECOMMENDED ACTION:
Adopt a resolution approving updated Section 8 Housing Choice Voucher Program Payment Standards

DISCUSSION:
The Section 8 Housing Choice Voucher Program (the “Voucher Program”) uses payment standards which are the maximum subsidies that the Housing Authority can pay on behalf of a family (“Payment Standards”) based on the annual fair market rents (“FMRs”) established by the U.S. Department of Housing and Urban Development (“HUD”). Fiscal Year 2020 FMRs are calculated using the 2017 American Community Survey (“ACS”) one-year data, the 2013-2017 five-year data and information from local survey data. The latest FMR rates were published in the Federal Register and were effective October 1, 2019. The FMRs for Fiscal Year 2020 increased by 4% to 12% depending on bedroom size.

The Housing Authority is required by HUD to set the Payment Standard between 90% and 110% of the FMR for each bedroom size. The level at which the Payment Standard is set directly affects the amount of subsidy a family will receive, and the amount of rent paid by program participants. It also directly impacts the number of units that participants can rent within the Payment Standard. If the Payment Standard is too low, families may need to pay more than they can afford, or families may have a hard time finding housing. Based on an analysis of rents, cost burdens, and the Section 8 program’s budget, staff recommends setting the Payment Standards at 100% of FMR for studios and one-bedroom units and 103% of FMR for two, three, four, five, and six-bedroom units.

In developing Payment Standard recommendations, staff considered the current rental market. The vacancy rate for rental units in Napa County remains low, and voucher holders often have a difficult time locating units within the Payment Standards. The success rate over the past year for voucher holders utilizing their vouchers has remained fairly stable (63% for 2019 compared with 65% in 2018). However, an analysis of the asking rents for vacant units indicates that unless the Payment Standards were increased to 112% of FMR or higher (which is above the 110% limit set by HUD), increasing the Payment Standards is unlikely to significantly increase rental units available to voucher participants. In other words, increasing the Payment Standards to 110% of FMR would not result in a significant expansion of housing options to voucher holders.

Another factor to consider when adjusting the Payment Standards is the extent to which current voucher holders are cost burdened. When a voucher holder's landlord increases the rent above the Payment Standard, the voucher holder has the option to either move or to remain in the unit and pay for the portion of the rent above the Payment Standard themselves. This results in some voucher holders becoming cost burdened (defined by HUD as paying over 30% of their incomes on housing). There are currently no vouchers issued for five and six-bedroom units. Under the current Payment Standards, no voucher holders in studios or four-bedroom units are cost burdened. However, 16% of one-bedroom voucher holders, 26% of two-bedroom voucher holders, and 24% of three-bedroom voucher holders are currently cost-burdened, meaning the rents of their units are above current Payment Standards. Under the recommended adjustments to the Payment Standards, this would drop to 11% for one-bedroom units, 13% for two-bedroom units, and 9% for three-bedroom units.

Another consideration is whether market rents are expected to increase over the upcoming year. Because the Governor recently extended the rent moratorium for areas impacted by wildfires for another year, landlords continue to be prohibited from increasing rents by a total of more than 10% since the October 2017 wildfires. Therefore, except in the case of new rental units, rents should be somewhat stable for the upcoming year. Additionally, recent State legislation now prohibits landlords from refusing to accept Section 8. This may increase the supply of rental units available to voucher holders as new landlords begin to participate in the voucher program.

A final consideration is the impact of adjusting Payment Standards has on the Section 8 Program's budget. HUD funding is set in large part on the amount of housing assistance paid in the previous year. Therefore, increasing the Payment Standards means less funding in the upcoming year would be available for the Housing Authority to issue additional vouchers as the amount of assistance provided to current participants is increased. For example, if the Housing Authority increased the Payment Standards to 110% of FMR for every bedroom size, this would result in the need to shrink the program over the next several years by almost 30 vouchers compared to the program size under the recommended adjustments. This would also result in a reduction in the Housing Authority's administrative funding of up to $20,000 per year since administrative revenue is directly based on the number of vouchers administered. Additionally, under a scenario of maximized Payment Standards, the Housing Authority reserves would shrink to just over 1% by 2022 (HUD recommends maintaining reserves at .5% to 4% of annual Housing Assistance Payments). Therefore, the Housing Authority must consider the financial implications to the overall program when deciding to increase Payment Standards.

Factoring in these various considerations, including the rental market, the cost burdens of participants, and the financial impacts to the Section 8 program, staff recommends the Housing

Authority Board approve adjusted Payment Standards at 100% of the new FMR for studios and one-bedroom units and at 103% of the new FMR for all other bedroom sizes. These proposed Payment Standards reflect an increase of 3% to 6% for studios through three-bedroom units and no change for four through six-bedroom units. Staff recommends making this new Payment Standards effective April 1, 2019 to reduce administrative burden of having to recertify participants. Raising the Payment Standards to these levels should continue to allow the majority of families issued vouchers to locate units, reduce the cost burden for most cost burdened participants, ensure additional families can be issued vouchers, and maintain the HUD-recommended program reserve level of .5% to 4% of total annual HUD allocated budget. Each unit is still required to meet a rent reasonableness test to ensure the unit's proposed rent is reasonable in comparison to rents for similar units in similar condition in the area.

Attachment 2 lists the current Payment Standards and the proposed increases.

FINANCIAL IMPACTS:
For FY 2020, the increase in Payment Standards can be absorbed within the Housing Authority's existing budget. Staff estimates that over time, increasing the Payment Standards will increase housing assistance payments by a total of approximately $106,188 per year. HUD typically funds the Housing Authority for the upcoming calendar year based on the amount it spent in the previous year. This means the increase in payments for calendar year 2020 would be funded from the Section 8 Voucher Program's existing HUD held reserves which are currently at 4.4% (HUD recommends between .5% and 4%). It is anticipated that in the calendar year 2021, HUD would fund the Housing Authority an amount equivalent to the amount spent for housing assistance payments in calendar year 2020. If HUD does not increase the future funding, this increased cost would need to be absorbed through normal program attrition and program reserves. No additional budget authority is required for the FY 2020.

CEQA:
The Community Development Director has determined that the Recommended Action described in this Agenda Report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060 (c).

DOCUMENTS ATTACHED:
ATCH 1 - Resolution approving Payment Standards
ATCH 2 - Summary of Fair Market Rents and Payment Standards

NOTIFICATION:
Abode Services and non-Profit Housing Providers were notified of this agenda item.