



# TACOMA HOUSING AUTHORITY

## RESOLUTION 2018-12-12 (5)

**Date:** December 12, 2018  
**To:** THA Board of Commissioners  
**From:** Michael Mirra  
Executive Director  
**Re:** Update to Payment Standards

*This resolution will authorize Tacoma Housing Authority (THA) to adopt new 2019 payment standards for use in THA's rental assistance programs.*

### Background

Each year Housing and Urban Development (HUD) releases rent data for the Tacoma-Pierce County metropolitan rental market. These data set HUD's "fair market rents" (FMR) for our area for the following year, in this case 2019. Housing authorities must set their payment standards within 90-110% of the HUD FMR. We then use these payment standards to determine the maximum amount of subsidy THA will pay to landlords. We also use them in the calculation of THA tenant and participant rents.

HUD requires THA to assess its tenant data and adjust its payment standards based on this assessment. In addition to tenant data, THA uses a compilation of 3<sup>rd</sup> party reports and data to assess the regions rental market. THA last changed its payment standards in October 2018.

The following table compares the HUD 2019 FMR to the existing payment standards and 2018 FMR's:

	FY2019 FMR	Current THA Payment Standard	FY2018 FMR	FMR % of Increase From 2018 - 2019
<b>Studio</b>	\$860	\$812	\$773	11.2%
<b>1 bedroom</b>	\$966	\$925	\$881	9.6%
<b>2 bedroom</b>	\$1265	\$1202	\$1145	10.5%
<b>3 bedroom</b>	\$1829	\$1666	\$1666	9.8%
<b>4 bedroom</b>	\$2222	\$2017	\$2017	10.2%
<b>5 bedroom</b>	\$2555	\$2320	\$2320	10.2%
<b>6 bedroom</b>	\$2889	\$2622	\$2622	10.2%
<b>7 bedroom</b>	\$3222	\$2925	\$2925	10.2%
<b>8 bedroom</b>	\$3555	\$3227	\$3227	10.2%

**September 2018 (McCament and Rogers Survey along with other data)**

	Low Income	Affordable Market	Market Rate	Out of Downtown
Vacancy Rate (%)	2.0%	2.0%	3.0%	5%
Average Rent (\$) 2 Bdrm (low end)	\$812	\$750	\$1395	\$1,670

### 3. Comparison of Current Payment Standard and Rents

Comparing the current payment standards to actual rents THA is paying for units provides a metric that can help determine affordability of an increase. This is important in our dynamic market to allow increases that keep pace with real-time asking rents.

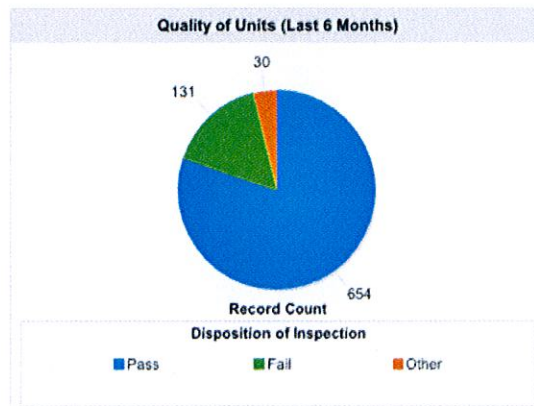
The following table compares the **current** payment standards and THA actual average contract rent amount.

	Current THA Payment Standard 2018	Actual Average Rent Amount
Studio	\$812	\$680
1 bedroom	\$925	\$819
2 bedroom	\$1,202	\$988
3 bedroom	\$1,666	\$1,325

### 4. HQS pass/fail rates

Tracking the pass/fail rates of initial unit inspections provides a measurement that is used to determine if the payment standard amounts are allowing clients to select higher quality units.

During our May 2018 analysis, the HQS pass rate was 81%. Currently, 80% of all units selected by clients eventually pass inspections. This is based on comparing the number of initial inspections in relation to the number of failures and turn-backs.





## 5. Shopping Days

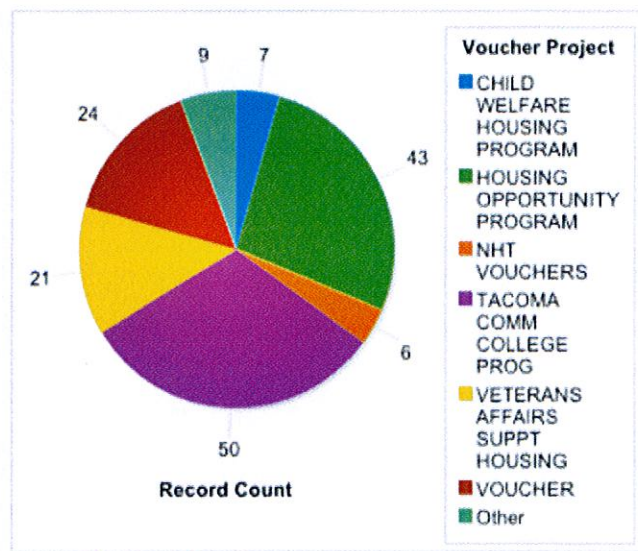
Tracking the amount of time it takes for our clients to find and secure a unit helps determine if the payment standards give them sufficient buying power in the market. A longer shopping time could mean that the payment standard is not competitive with the market rate rents.

We are starting to see a drop in the average shopping times. This is the time tenants take to find housing once they've receive our subsidy. Notably, last review had 89 days for traditional vouchers and 116 days for Housing Opportunity Program (HOP) clients. Currently we are at approximately 74 days for both programs.

## 6. Expired and Unused Vouchers

Returned subsidies can be a barometer for client shopping success as well. And increase in returned subsidies could indicate an inability to compete for units in the market. Increasing payment standards could help with that competitiveness.

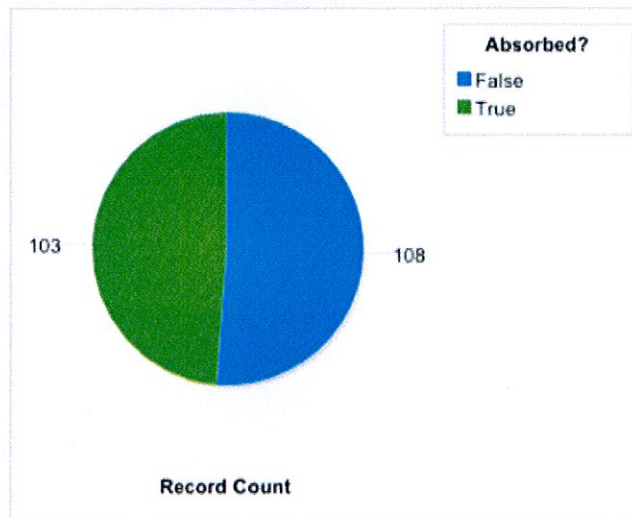
Since January 2018, 160 applicants have returned their subsidies to THA without leasing up. This represents 18% of the total issued. We have added additional data fields to Open Door so that we can better understand the reasons for these returning subsidies. The chart below shows the breakdown for the major programs.



## 7. Port Outs

Tracking the amount of clients leaving our jurisdiction provides an indicator that could mean they are searching for an affordable unit elsewhere. Increasing payment standards could help retain some of those clients by proving more buying power within our area of responsibility.

As of November 26, 2018, we have 211 clients that have ported out. This is a 37% increase since our last analysis in April/May 2018. We have had 65 clients port to Pierce County Housing Authority (PCHA). Approximately 10 are new and 55 have been absorbed. Pierce County Housing Authority (PCHA) has adopted 100% of the 2019 HUD FMR's as their new payment standard and since we share leasing boundaries, matching that payment standard could help retain clients.



## 8. Rent Increases Processed

The number and amount of rent increases requested by current landlords provides feedback on how they are viewing the market and how they want to take advantage of it. It also lets us know if it is just a few landlords or across the board. Payment standard increases allow us to keep pace and reduce client expenses.

From January 1, 2018, to date THA Rental Assistance staff has processed approximately 1,800 rent increase requests. The average increase has been approximately \$95.

## 9. Estimated Financial Impact to THA

We review the budget to determine the impact projected subsidy adjustments will have on funding available.

Raising THA's payment standards will have a financial impact on the THA budget but Finance has expressed its support for this increase.

## Recommendation

We are starting to see a slight rise in the vacancy rate, reduced number of shopping days for clients, and rent averages for THA clients are still below the current payment standards. We



continue to experience rent increase requests at a rate of about 165 per month for THA subsidized units, twice what would be considered normal. We still have well over 350 active clients trying to lease up. After review of our current payment standards and the other factors listed in this analysis, we recommend that THA increase its payment standards to 100% of the HUD 2019 proposed FMRs. The current payment standards are set at 105% of the 2018 FMRs for the 0, 1, and 2 bedroom units and 100% of the 2018 FMRs for remaining bedroom sizes. We hope this increase will help with the quantity and quality of units available to our clients.

	<b>FY2019 FMR</b>	<b>Current THA payment standard</b>	<b>Proposed THA Payment Standard (PS)</b>	<b>% Increase from current PS</b>	<b>Old HOP subsidy amount (50% of Payment Standard)</b>	<b>New HOP subsidy amount (50% of Payment Standard)</b>
<b>Studio</b>	\$860	\$812	\$860	5.9%	\$406	\$430
<b>1 bedroom</b>	\$966	\$925	\$966	4.4%	\$463	\$483
<b>2 bedroom</b>	\$1265	\$1202	\$1265	5.2%	\$601	\$633
<b>3 bedroom</b>	\$1829	\$1666	\$1829	9.8%	\$833	\$915
<b>4 bedroom</b>	\$2222	\$2017	\$2222	10.2%	\$1009	\$1111
<b>5 bedroom</b>	\$2555	\$2320	\$2555	10.2%	\$1160	\$1278
<b>6 bedroom</b>	\$2889	\$2622	\$2889	10.2%	\$1311	\$1445
<b>7 bedroom</b>	\$3222	\$2925	\$3222	10.2%	\$1463	\$1611
<b>8 bedroom</b>	\$3555	\$3227	\$3555	10.2%	\$1614	\$1778

Staff recommends approving Resolution 2018-12-12 (5) authorizing THA to adopt new payment standards effective March 1, 2019.



# TACOMA HOUSING AUTHORITY

## **RESOLUTION 2018-12-12 (5) (Update to Payment Standards)**

A **RESOLUTION** of the Board of Commissioners of the Housing Authority of the City of Tacoma authorizing the THA Executive Director to increase THA's payment standards.

**WHEREAS**, HUD sets fair market rents annually; and

**WHEREAS**, The housing authority sets payment standards based on market and participant data; and

**WHEREAS**, Rent increase requests for THA subsidized units are still twice the average; and

**WHEREAS**, Average market rate rents are still above current payment standards; and

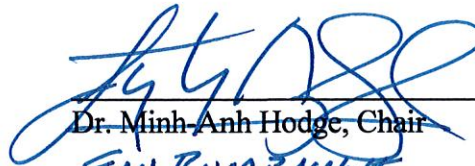
**WHEREAS**, There are still over 350 active shoppers searching for units; and

**WHEREAS**, New payment standards will go into effect March 01, 2019; now, therefore, be it

***Resolved by the Board of Commissioners of the Housing Authority of the City of Tacoma, Washington as follows:***

The Board authorizes THA's Executive Director to increase THA's payment standards to 100% of the 2019 HUD fair market rents for all bedroom sizes.

**Approved: December 12, 2018**

  
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Dr. Minh Anh Hodge, Chair  
STAN RUMJALLO