



TACOMA HOUSING AUTHORITY

RESOLUTION 2020-01-22 (1)

Date: January 22, 2020
To: THA Board of Commissioners
From: Michael Mirra
Executive Director
Re: Update to Payment Standards

This analysis will authorize Tacoma Housing Authority (THA) to adopt new 2020 payment standards for use in THA's rental assistance programs.

Background

Each year the Department of 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, 2020. Housing authorities must set their payment standards within 90-110% of the HUD FMR. The payment standards are then used in determining the maximum amount of subsidy THA will pay to landlords. They are also used in the calculation of THA tenant and participant rents.

THA is required to complete an assessment of its tenant data and make adjustments to its payment standards based on this data. In addition to tenant data, THA uses a compilation of 3rd party reports and data to assess the region's rental market. The payment standards were last changed effective March 2019 to be at 100% of the FMR.

The following table compares the HUD 2020 FMR to the existing 2019 FMRs:

	FY2019 FMR	FY2020 FMR	FMR % of Increase From 2019 - 2020
Studio	\$860	\$961	10.5%
1 bedroom	\$966	\$1075	10.1%
2 bedroom	\$1265	\$1408	10.2%
3 bedroom	\$1829	\$2031	9.9%
4 bedroom	\$2222	\$2472	10.1%
5 bedroom	\$2555	\$2843	10.1%
6 bedroom	\$2889	\$3214	10.1%
7 bedroom	\$3222	\$3584	10.1%
8 bedroom	\$3555	\$3955	10.1%

Analysis

THA staff considers the following factors during the payment standard review:

- shelter burden (% of household income paid for rent and utilities)
- vacancy rate and rent by Tacoma neighborhood
- comparison with average Tacoma rents
- inspection pass or fail rate
- how long it takes clients to find a unit under current payment standard
- the extent to which clients cannot use a voucher
- the extent to which clients seek to take their voucher to other jurisdictions
- requests for rent increases
- the financial impact on THA

1. **Shelter Burden (% of households paying more than 30% of income towards rent)**

HUD has established a standard that households should pay no more than 30% of their income toward rent. When a household selects a unit where the gross rent (rent & utilities) exceeds the payment standard the household pays the difference. This results in a larger out of pocket expense for the client. Increasing the payment standards helps offset some of that expense.

1.1. **July 2019** – 29% of traditional Housing Choice Vouchers (HCV) and 29% of Housing Opportunity Program (HOP) clients were paying more than 30% of their income toward rent.

1.2. **January 2020** – 29% of traditional HCVs and 27% of HOP clients were paying more than 30% of their income toward rent.

2. **Vacancy Rate and Rent by Tacoma Neighborhood**

A lower vacancy rate and higher rents make it difficult for clients to compete for units. Increasing the payment standards helps them compete for those units with less out of pocket expenses.

In the past, THA has relied heavily on the vacancy report provided by Dupre & Scott. That company went out of business in January 2018. THA has been using various compilations of on-line resources and a rental property survey that McCament and Rogers conduct twice a year. McCament and Rogers is a real estate consulting firm that also does market studies for the City of Tacoma and Lakewood. Within the report, McCament & Rogers separates the market into four categories: low-income, affordable, market rate and outside downtown.

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McCament & Rogers defines low-income, affordable and market rate in the following ways:

- **Low Income rent** have some sort of subsidy attached to them but could have some affordable units not subsidized with in the community.
- **Affordable rent** would be communities that are older and mostly smaller units, however, on dollar per square foot, some are as high as market rate.
- **Market rent** would be the rent on mostly newer properties. These rent at the highest rates the market will bear. The current communities adjust the rents on a daily basis depending on demand. Example one day a one bedroom may be \$1500 the next it could be \$1200 because they have some vacancy in that style of unit.

June 2019 (McCament and Rogers Survey along with other data)

	Low Income	Affordable Market	Market Rate	Out of Downtown
Vacancy Rate (%)	3.0%	3.0%	2.0%	7%
Average Rent (\$) 2 Bdrm	\$1052	\$1303	\$2265	\$1775

September 2019 (McCament and Rogers Survey along with other data)

	Low Income	Affordable Market	Market Rate	Out of Downtown
Vacancy Rate (%)	2.0%	3.0%	2.0%	5%
Average Rent (\$) 2 Bdrm	\$1052	\$1353	\$2265	\$1775

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 the 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.

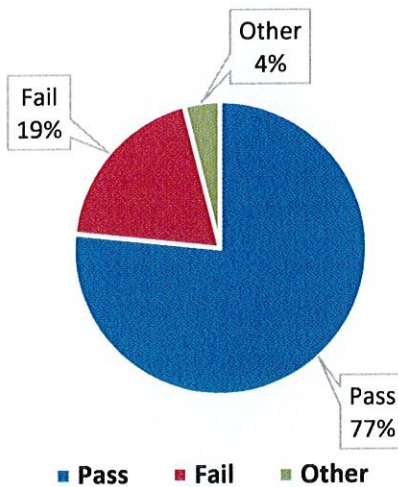
	2019 Payment Standards	Avg. Contract Rent for New Admissions & Movers
Studio	\$860	\$752
1 bedroom	\$966	\$880
2 bedroom	\$1265	\$1106
3 bedroom	\$1829	\$1356
4 bedroom	\$2222	\$1653

4. **Housing Quality Standards (HQS) Pass/Fail Rates**

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

Currently, a little over 75% 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 returned vouchers.

Disposition of Inspections

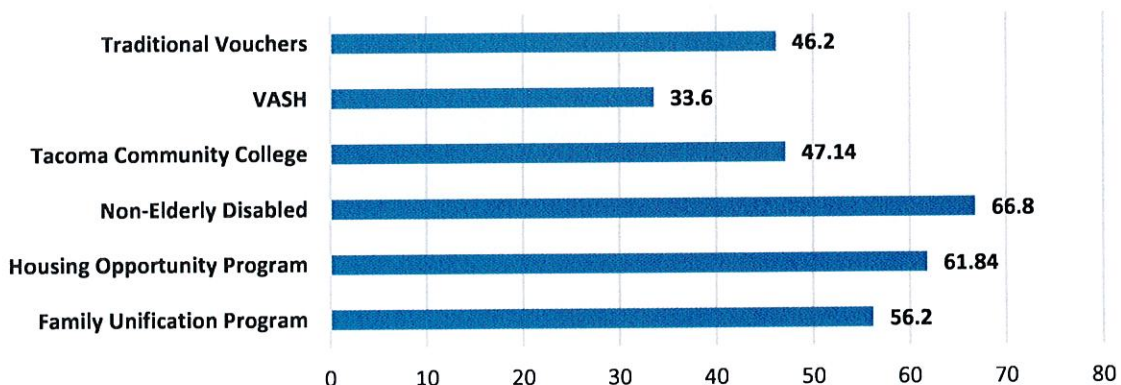


5. **Shopping Days**

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.

In 2019 we saw an increase from 36 to 46 days for traditional vouchers and from 41 to 61 days for the Housing Opportunity Program (HOP) clients.

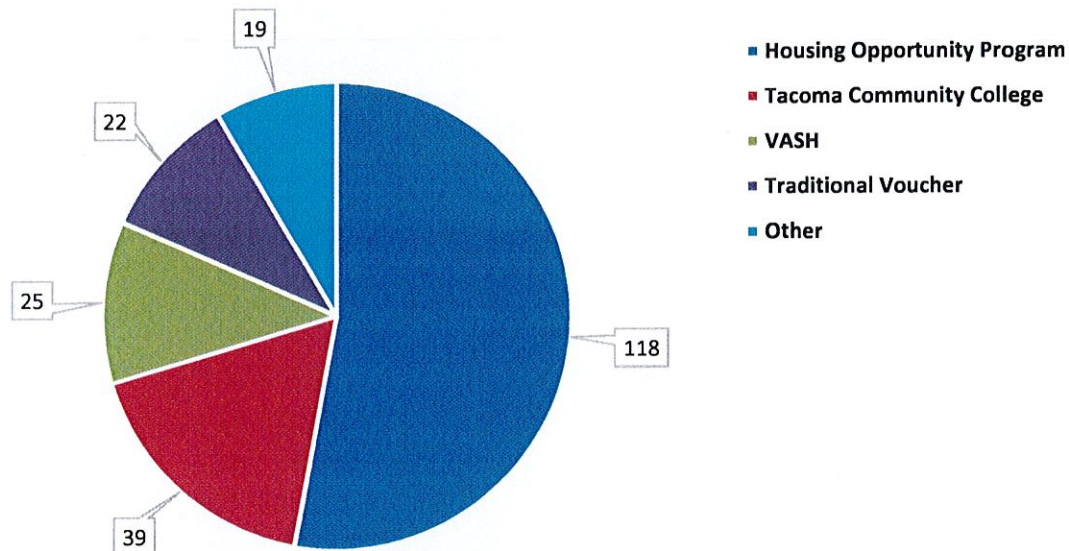
Average Days Shopping by Program for 2019



6. Expired and Unused Vouchers

Returned subsidies can be a barometer for client shopping success as well. An increase in returned subsidies could indicate an inability to compete for units in the market. 223 subsidies have expired or gone unused for 2019. The chart on the following page shows the breakdown of the major programs. These vouchers include households shopping for housing while new to the program and households hoping to move between assisted units.

Expired and Unused Vouchers for 2019



7. Port Outs

Tracking the number of clients leaving our jurisdiction provides an indicator that could mean they are searching for an affordable unit elsewhere. Altogether, 200 clients that have ported out in 2019. In 2018, there were 169 total port-outs.

8. Rent Increases Processed

In 2019, THA Rental Assistance staff has processed approximately 2,036 rent increase requests. The average increase has been approximately \$97. This is a slight decrease from the previous year.

9. Estimated Financial Impact on THA

THA is not currently leasing to additional people off the wait list so an immediate analysis is hard to review. However, for the HOP participants, their portion changes only when there is a qualified event. Therefore, we believe the impact would be minimal and not all at once. Also, the average contract rent is less than the payment standards, so it gives more room when tenants do move.

Finance is in total support of increasing the payment standards. It will help shoppers actually lease-up, and assist the all households to not be so rent burdened.

Recommendation

We are starting to see a slight decrease in the vacancy rate, increased number of shopping days for clients, yet rent averages for THA clients are still below the current payment standards. We continue to experience rent increase requests at a rate of about 170 per month for THA subsidized units, twice what would be considered normal. We still have a number of active clients trying to lease-up. After a 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 2020 FMRs.

An increase in the payment standards should increase accessibility to a higher tier of units on the market.

	FY2020 FMR	Current THA payment standard/2019 FMR	Proposed THA Payment Standard	% Increase from current PS	New HOP subsidy amount
Studio	\$961	\$860	\$961	10.5%	\$481
1 bedroom	\$1075	\$966	\$1075	10.1%	\$538
2 bedroom	\$1408	\$1265	\$1408	10.2%	\$704
3 bedroom	\$2031	\$1829	\$2031	9.9%	\$1,016
4 bedroom	\$2472	\$2222	\$2472	10.1%	\$1,236
5 bedroom	\$2843	\$2555	\$2843	10.1%	\$1,422
6 bedroom	\$3214	\$2889	\$3214	10.1%	\$1,607
7 bedroom	\$3584	\$3222	\$3584	10.1%	\$1,792
8 bedroom	\$3955	\$3555	\$3955	10.1%	\$1,978

Staff recommends approving Resolution 2020-01-22 (1) authorizing THA to adopt new payment standards effective April 1, 2020.



TACOMA HOUSING AUTHORITY

RESOLUTION 2020-01-22 (1) (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, New payment standards will go into effect April 01, 2020; 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 2020 HUD fair market rents for all bedroom sizes.

Approved: January 22, 2020


Derek Young, Chair