



TACOMA HOUSING AUTHORITY

RESOLUTION 2016-10-26 (1)

Date: October 26, 2016
To: THA Board of Commissioners
From: Michael Mirra
Executive Director
Re: Adoption of 2017 Payment Standards

Purpose

The purpose of this memo is to authorize THA's executive director to adopt new 2017 payment standards based on a comparison of Housing and Urban Development's (HUD) 2017 fair market rents, current THA participant data and a third-party market analysis of Tacoma's rental market (Dupre & Scott).

Background

Each year 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 2017. 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 third-party report regarding the region's rental market.

Housing authorities must set their payment standards within 90-110% of the HUD FMR. THA policies require us to complete this analysis each October for payment standards that will go into effect the following January. THA has also begun analyzing this same set of data at least quarterly with Tacoma's ever-tightening and costly rental market.

The following table compares the HUD 2017 FMR to the existing payment standard:

Bedroom Size	Current Payment Standard	2017 FMR	Current Payment Standard as % of 2017 FMR
1 BR	\$ 863	\$ 885	98%
2 BR	\$1,113	\$1,142	97%
3 BR	\$1,622	\$1,662	98%
4 BR	\$1,770	\$2,012	88%
5 BR	\$2,035	\$2,314	88%
6 BR	\$2,301	\$2,616	88%
7 BR	\$2,566	\$2,917	88%

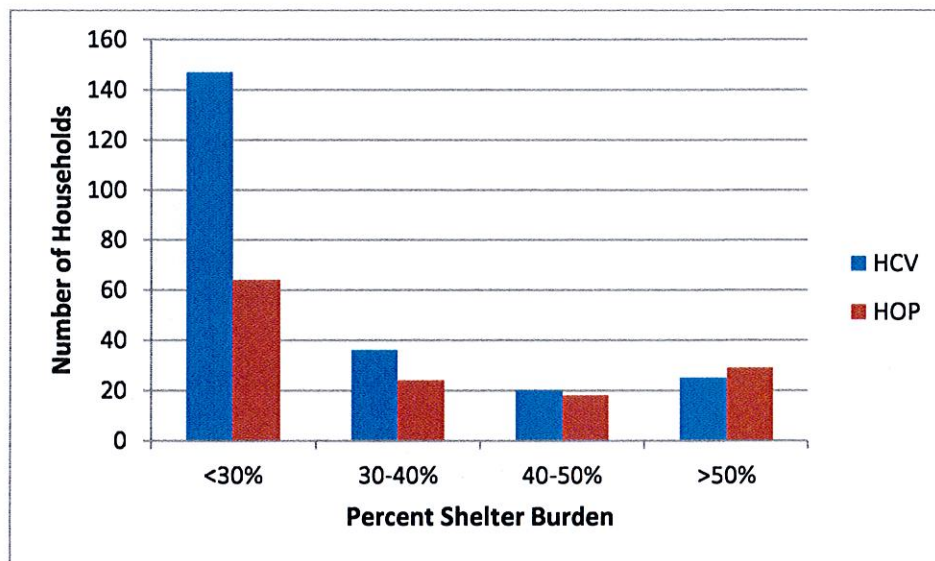
ANALYSIS

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

- Shelter burden (% of household income paid for rent and utilities)
- Availability of suitable units with rents below the payment standards
- Size and quality of units selected by tenants
- Average number of shopping days under current payment standards
- Vouchers that have expired without leasing
- Port outs since THA last revised its payment standards
- Comparison with average Tacoma rents
- Estimated financial impact to THA

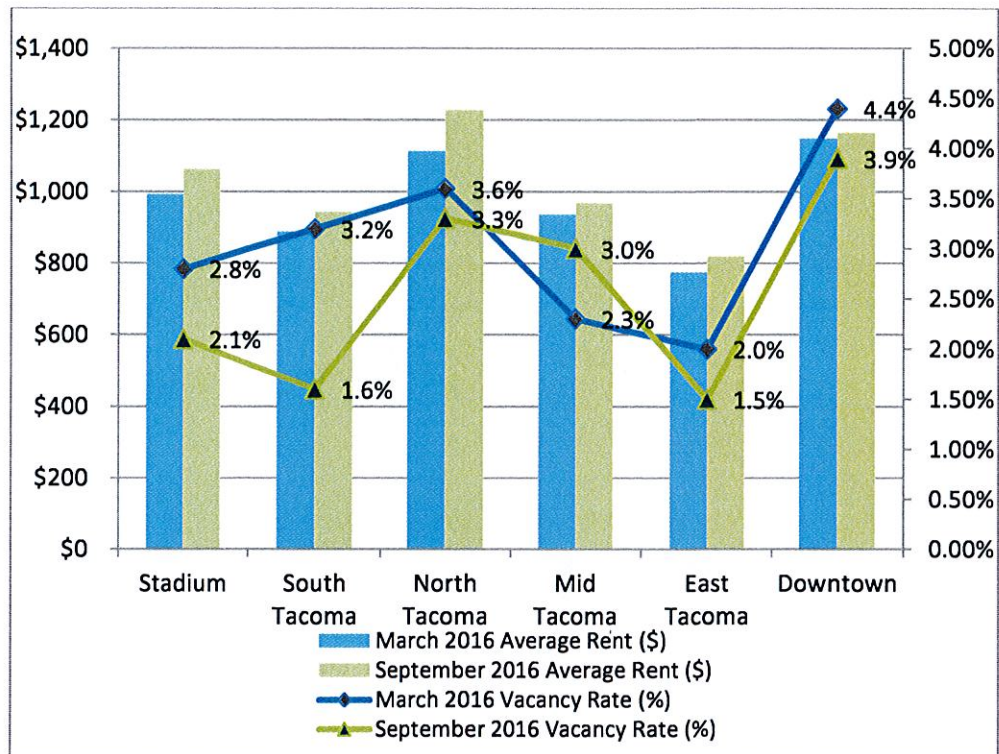
1. Shelter Burden (% of households paying more than 30% of income towards rent)

- 1.1. March 2016 – 26% of traditional HCVs and 33% of HOP clients were paying more than 30% of their income toward rent.
- 1.2. September 2016 – 27% of traditional HCVs and 35% of HOP clients are paying more than 30% of their income toward rent. Below is a breakdown by shelter burden:



2. Vacancy Rate and Rent by Tacoma Neighborhood

The following table compares the average rent and vacancy rate by Tacoma neighborhood between March 2016 and September 2016:



3. Comparison of Current Payment Standard and Rents

The following table compares the current payment standards and actual average rent amount in the Tacoma market and HOP programs as a percentage of the 2017 FMRs.

Bedroom Size	Current THA payment standard	Payment Standard as Percent of FY2017 FMR	Actual Average Rent Amount	Average Rents as Percent of FY2017 FMR
Studio	\$ 668	87%	\$ 770	100%
1 bedroom	\$ 863	98%	\$ 922	104%
2 bedroom	\$1,113	97%	\$1,177	103%
3 bedroom	\$1,622	98%	\$1,692	102%

4. HQS pass/fail rates

This metric analyzes the percent of units that don't pass their initial inspection. From the September 2015 analysis, the HQS pass rate was 60%. As of September 2016, 84% of units selected by clients within our HOP and HCV programs pass the inspection; a 24% increase from last year in unit passing inspection. This suggests that the current payment standard is adequate to find housing in acceptable condition.

5. Shopping Days

On average, voucher assisted households moving from one unit to another secure and move into a unit within 48 days. This meets HUD's definition of a successful shopping time of less than 90 days. This is a 3 day increase compared to September 2015.

HOP clients average about 55 days of shopping.

6. Expired and Unused Vouchers

Since January 1, 2016, 166 vouchers (which represent 41% of the total vouchers issued) have expired without leasing. This is compared to 129 expirations (25%) the year prior. 44 of those were from our traditional voucher program, and 85 were HOP clients. Currently, we see about 44% of HOP clients unable to lease up and their vouchers expiring. Traditional vouchers show a slightly less failure rate, resulting in 39% of those clients unable to lease up. It is worth noting that traditional voucher clients are attempting to move from an assisted unit when their voucher leases expire. Whereas most HOP clients are new to the program. These failure rates can be hard to assess. One explanation may be that the vouchers are not worth enough to find housing in the rental market. Other explanations may be that voucher households are not passing the screening criteria of landlords in a tightening rental market. As a result, these households are not competing well enough with other renters with stronger credit and rental histories.

7. Port Outs

Since January 1, 2016, we've had 105 clients port-out. This is a 28% increase since last year's analysis. We look at this indicator as a measure of whether people are having to move outside the area to secure affordable housing. This indicator is skewed because of THA's policies restricting portability.

8. Estimated Financial Impact to THA

Raising THA's payment standard to 100% of HUD's FMR will have a financial impact on the THA budget. We cannot isolate how much this change alone will impact the budget because the change only applies to new participants, households moving between housing units, and households with biennial and triennial reviews due in 2017. Finance staff have, however, estimate that this change partnered with landlord rent increases will results in an average increase of \$2 per household per month through 2017. This is an estimated total HAP increase of \$625,000 in 2017.

Recommendation

After review of our current payment standards in comparison to the Dupre & Scott report and the other factors listed in this analysis, I recommend that THA increase its payment standards to 100% of the HUD 2017 Proposed FMRs (see following table).

Bedroom Size	Current THA payment standard	Proposed THA Payment Standard	Percent Increase
Studio	\$668	\$766	15%
1 bedroom	\$863	\$885	3%
2 bedroom	\$1,113	\$1,142	3%
3 bedroom	\$1,622	\$1,662	2%
4 bedroom	\$1,770	\$2,012	14%
5 bedroom	\$2,035	\$2,314	14%
6 bedroom	\$2,301	\$2,616	14%
7 bedroom	\$2,566	\$2,917	14%
8 bedroom	\$2,832	\$3,219	14%



TACOMA HOUSING AUTHORITY

RESOLUTION 2016-10-26 (1) (Adoption of 2017 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 to 100% of the 2017 HUD fair market rents.

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 January 1, 2017; 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 2017 HUD fair market rents.

Approved: October 26, 2016



Dr. Arthur C. Banks, Chair