



TACOMA HOUSING AUTHORITY

RESOLUTION 2021-05-25 (2)

Date: May 25, 2022
To: THA Board of Commissioners
From: April Black
Executive Director
Re: Update to Payment Standards

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

Executive Summary

THA staff conducted an analysis of the agency's payment standards and recommend increasing the payment standards for zero, one, two and three bedrooms for the following reasons:

- There has been a notable increase in the overall rent burden rate among participants, especially for HOP households, and 1- and 2-bedroom households.
- Rent increases are considerably higher when compared to previous years. This may be due to the lifting of the Rent Moratorium and rapidly increasing market rents. Rents are steadily increasing across THA's jurisdiction and for all bedroom sizes. Average contract rents are increasing at a faster rate than the reported regional market rates, especially for units with 2 and fewer bedrooms.
- Vacancy rates remain quite low across the region, especially neighborhoods featuring greater market affordability.
- 305 vouchers were issued over the past 6 months and 33% of households have secured housing.
- 25% of voucher holders are renting (appropriately sized) units above the payment standard.

	Current Payment Standards	FY2022 FMRs	Proposed Payment Standards	% of the FMR	% Increase from current PS	Proposed HOP Subsidy Amount
Studio	\$1,056	\$1,056	\$1088	103%	3%	\$544
1 bedroom	\$1,162	\$1,162	\$1220	105%	5%	\$610
2 bedroom	\$1,484	\$1,484	\$1558	105%	5%	\$779
3 bedroom	\$2,108	\$2,108	\$2,171	103%	3%	\$1,086
4 bedroom	\$2,540	\$2,540	\$2,540	100%	0%	\$1,270
5 bedroom	\$2,921	\$2,921	\$2,921	100%	0%	\$1,461
6 bedroom	\$3,302	\$3,302	\$3,302	100%	0%	\$1,651
7 bedroom	\$3,683	\$3,683	\$3,683	100%	0%	\$1,842
8 bedroom	\$4,064	\$4,064	\$4,064	100%	0%	\$2,032

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 year, in this case, 2022. 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 December 1st, 2021 .

THA is committed to a mid-year review of our payment standards to ensure they are meeting the needs of participants. This is the mid-year review and subsequent recommendations based off of our analysis.

The following table reflects the HUD 2022 FMRs and the previous 2021 FMRs:

	FY2021 FMRs	FY2022 FMRs	\$ Change	FMR % Change From 2021 - 2022
Studio	\$1011	\$1,056	\$45	4.5%
1 bedroom	\$1126	\$1,162	\$36	3.2%
2 bedroom	\$1461	\$1,484	\$23	1.6%
3 bedroom	\$2091	\$2,108	\$17	0.8%
4 bedroom	\$2530	\$2,540	\$10	0.4%
5 bedroom	\$2909	\$2,921	\$12	0.4%
6 bedroom	\$3289	\$3,302	\$13	0.4%
7 bedroom	\$3668	\$3,683	\$15	0.4%
8 bedroom	\$4048	\$4,064	\$16	0.4%

Analysis

For this mid year review, THA staff considered the following factors:

1. **Rent burden (% of household income paid toward rent and utilities)**
2. **Rent increases processed by THA and the average percent increase**
3. **Housing success rate**
4. **Average market rent and vacancy rates**
5. **Comparison of current payment standards with average market rents**
6. **Comparison of current payment standards with internal THA household rents**
7. **Comparison of internal THA household rents with average market rents**
8. **The overall financial impact on THA**

1. **Rent Burden: Tenant-based voucher households are facing a steeper rent burden than in past years.**

As per the THA Administrative Plan, rent burden is determined by identifying the percentage of households, for each unit size, that are paying more than 30% of their monthly adjusted income as the family share. HUD has established a standard that households paying more than 30% of their income toward rent are considered rent burdened. When 40% or more of families, for any given unit size (number of bedrooms per unit), are paying more than 30% of adjusted monthly income as the family share, THA will consider increasing the payment standard. In evaluating rent burdens, THA will not include families renting a larger unit than their family unit size. 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. February 2021 – 21.2% of traditional Housing Choice Voucher households (HCVs) and 47.0% of Housing Opportunity Program (HOP) households were paying more than 30% of their income toward rent.
- 1.2. February 2022 – 24.6% of traditional HCVs and 53.2% of HOP households were paying more than 30% of their income toward rent [Figure 1].

Average Household Percentage over 30% Rent Burden by Tenant Based Voucher Program, 2018-2022

40% Threshold Line Shown. Average % and n counts shown as data labels. Year shown at bottom of graph.

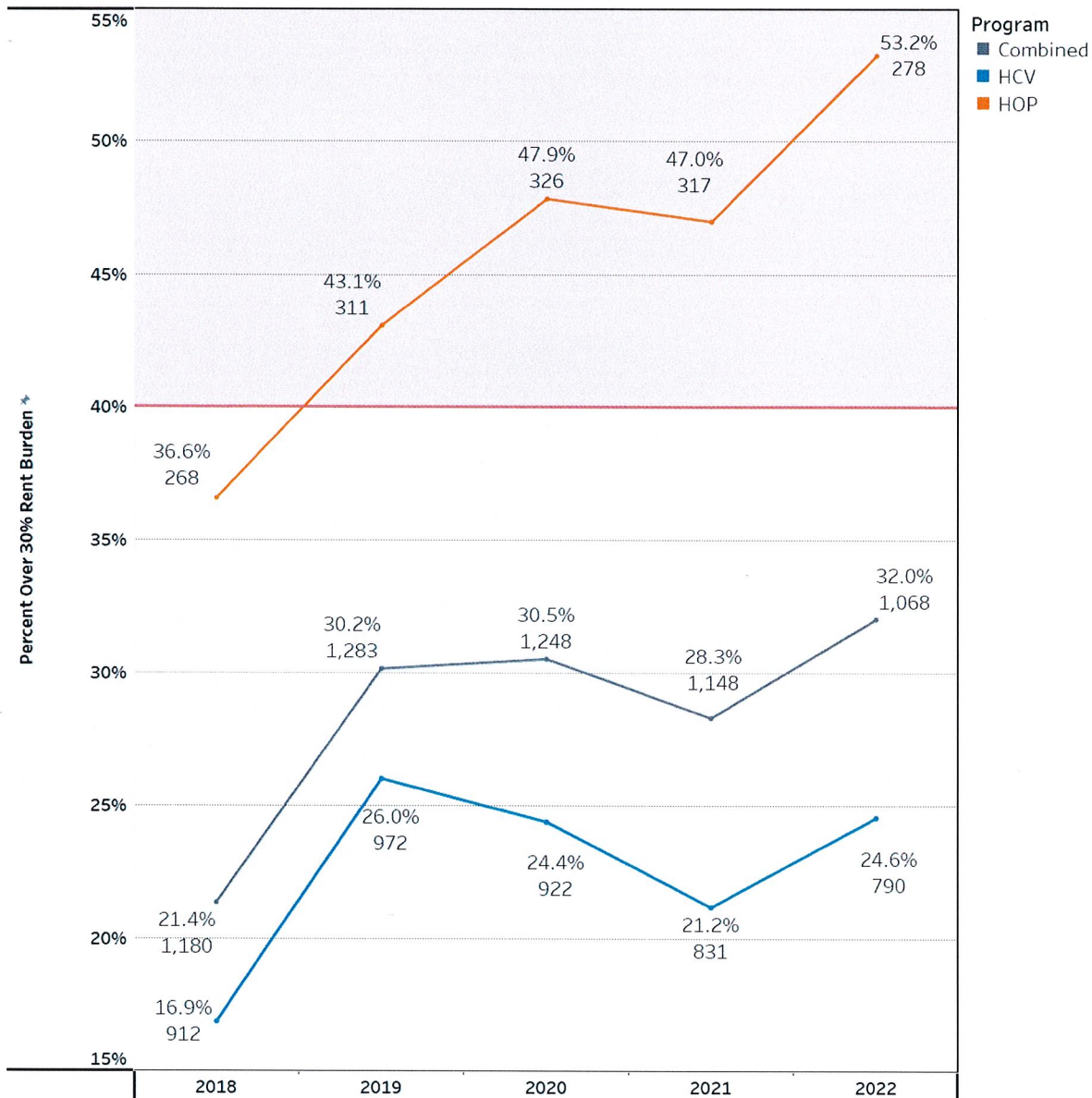


Figure 1. Percentage of Tenant Based Voucher Households Over 30% Rent Burdened
Percentage of households over 30% rent burden disaggregated by program and combined, showing annual average taken in February each year from 2018-2022. Rent Burden calculations remove households renting units with bedrooms larger than their calculated voucher size.

The average rent burden is 30.1% and 35.8% for HCV and HOP, respectively [Figure 2]. This is because in most cases HOP provides a shallower subsidy in an effort to serve more households. Overall, households face a steeper rent burden than in past years. Combining HOP and HCV, the average rent burden is 31.6%, which appears to be the first time that the average crested the 30%

rent burden threshold since at least 2018. Similarly, currently 32.0% of Tenant Based Voucher (TBV, combining HOP and HCV) households are over 30% rent burdened which appears to be the highest rate in recent years [Figure 1].

Average Household Rent Burden by Tenant Based Voucher Program, 2018-2022

Rent Burden Threshold 30% Line Shown. Average % and n counts shown as data labels. Year shown at bottom of graph.

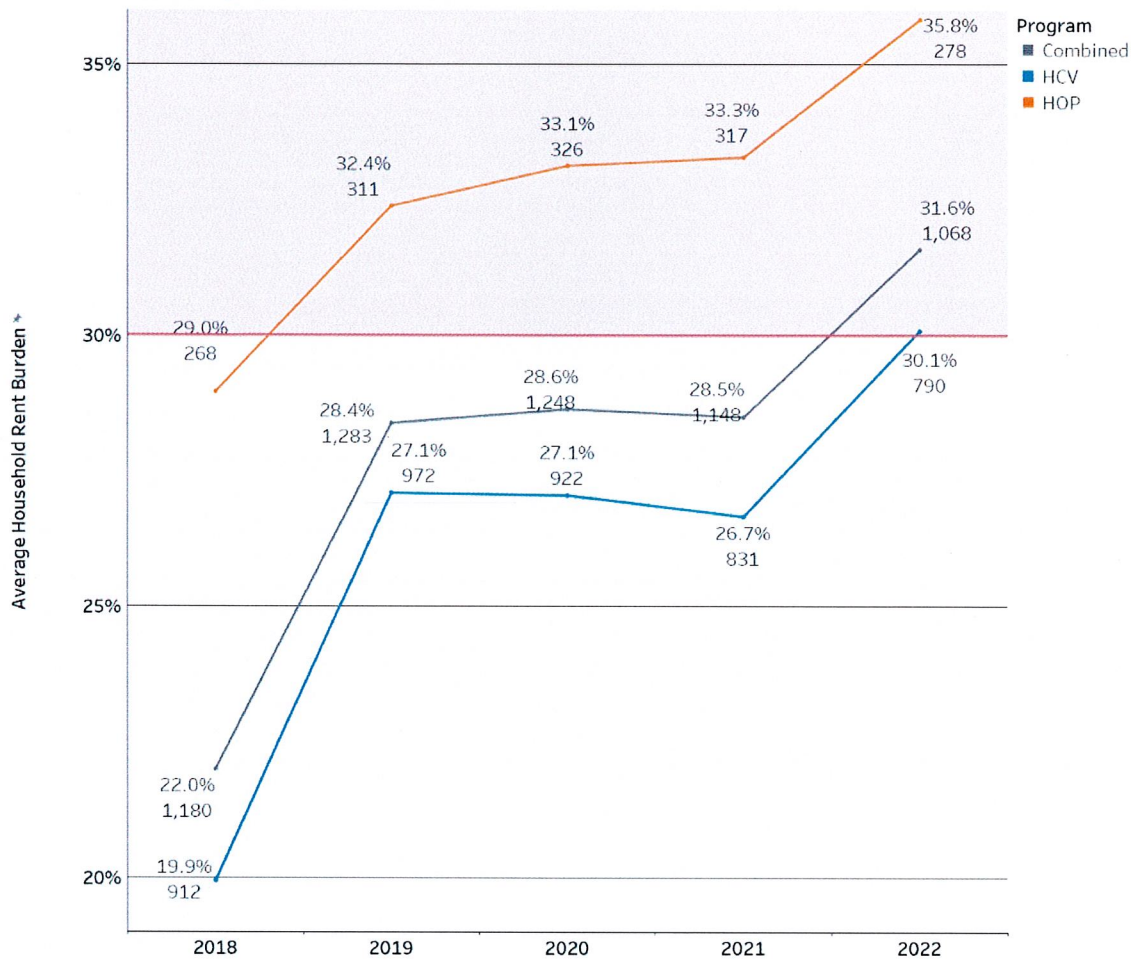


Figure 2. Tenant Based Voucher Household Rent Burden, 2018-2022

Rent burden calculated by family share of rent as fraction of adjusted income. Disaggregated by program and combined, showing annual average taken in February each year from 2018-2022.

While the average combined Rent Burden statistics are more heavily influenced by the larger proportion of HCV households, in recent years the proportion of HOP households has increased from 22.7% in 2018 to 26.0% in 2022. Given the generally lower Housing Assistance Payment (HAP) subsidy of HOP households, this may explain some of the increased rent burden.

Breaking down rent burden measures by number of bedrooms, 2- and 3-bedroom households tend to average the highest rent burden at 40.2% and 33.3%, respectively. More on this in the

sections below as it relates to vacancy, market rates, and payment standards. Across all unit sizes, HOP households experience a higher percentage of being rent burdened (over 30%) relative to HCV households, yet the combined average of all TBV households is under the 40% threshold mark [Figure 3]. This is likely due to the greater proportion of HCV households experiencing less average rent burden.

Similarly, households renting units above the payment standard tend to experience higher levels of rent burden [Figure 4]. Overall, however these instances tend to be less frequent than households with contract rents within the payment standard amounts allotted by number of bedrooms.

2022 Household Percentage over 30% Rent Burden by Tenant Based Voucher Program and Number of Bedrooms
 40% Threshold Line Shown. Average % and n counts shown as data labels. Unit number of bedrooms shown at top of graph, Program shown at bottom of graph.

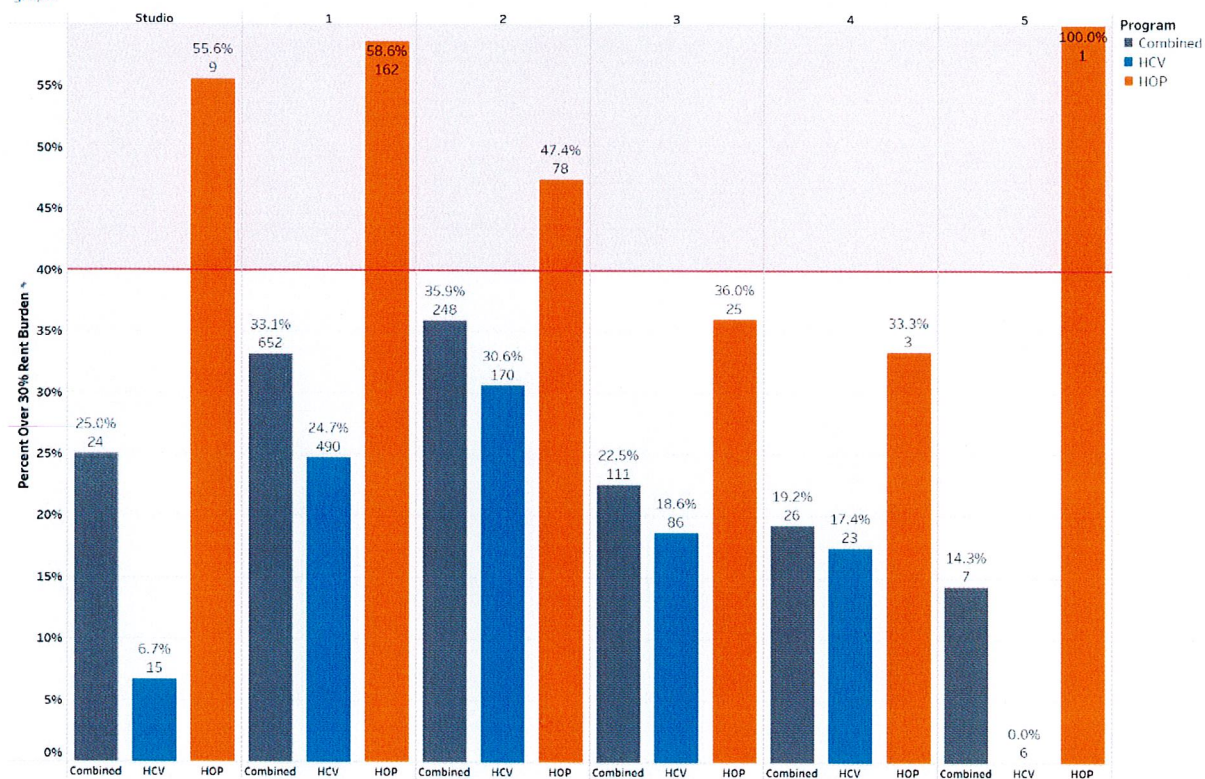


Figure 3. Percent of Households over 30% Rent Burden by Program and Bedrooms, 2022.
 Percentage of households over 30% rent burden by program and number of bedrooms.

2022 Household Percentage Over 30% Rent Burden by Number of Bedrooms and Payment Standard Difference

40% Threshold Line Shown. Average % and n counts shown above bars. Number of Unit Bedrooms shown at top of graph, Above or Not Above Payment Standard shown at bottom of graph.

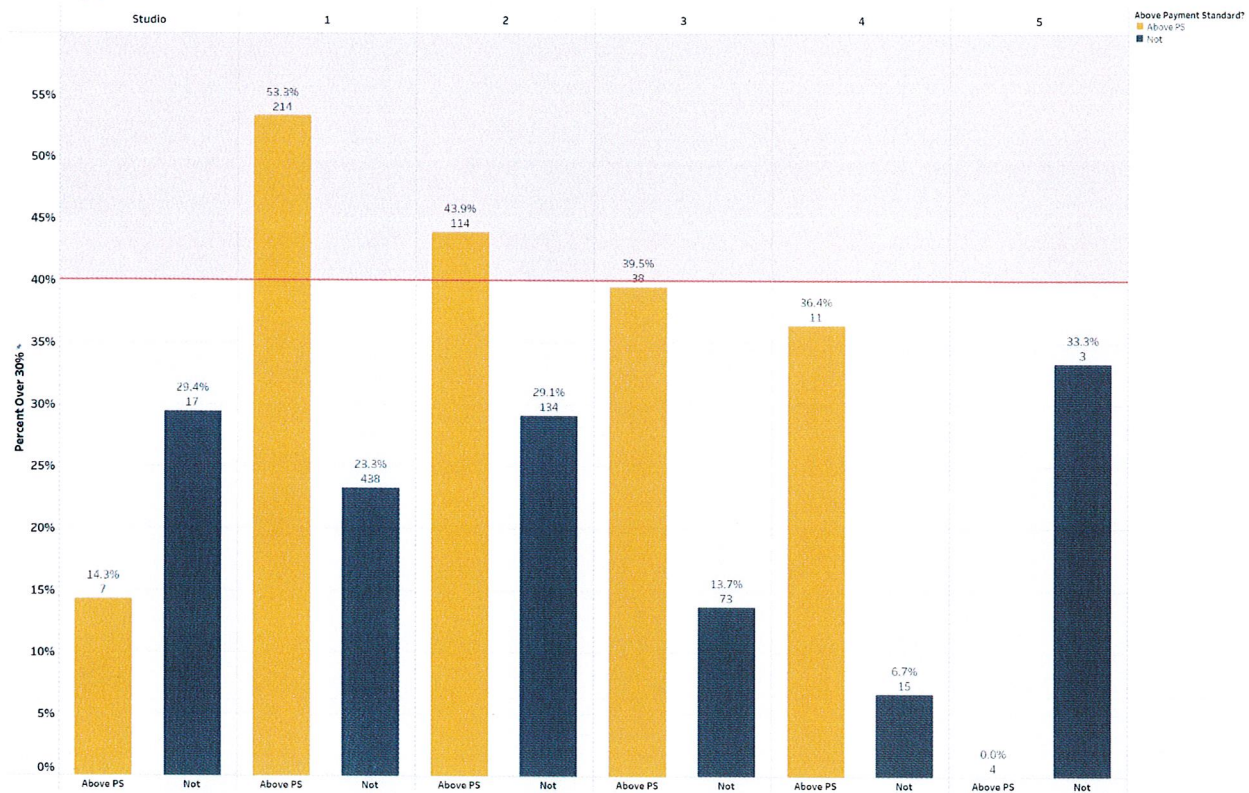


Figure 4. Percent of Households over 30% Rent Burden by Payment Standard Difference and Bedrooms, 2022. Percentage of households over 30% rent burden by contract rent above or not above payment standard by unit size.

2. Rent Increases Processed: From 2021 to present, the average interim rent increase percentage was nearly twice as high as pre-pandemic amounts.

Subsequent to the Rent Moratorium lifting effective July 1, 2021, staff have processed 963 interim certification rent increase requests, with an overall average percentage increase of 16.3% (\$174) of previous contract rents. By comparison, in 2020, staff processed 278 rent increase requests with an average 9.7% (\$99) of previous contract rents [Figure 5]. Prior to the pandemic, in 2019, the averages were still considerably lower than they are post moratorium, at a 10.2% (\$99) increase of previous contract rents.

Percent Rent Increase for Tenant Based Voucher Households, 2018-February 2022

Limited to Interim Certifications with Contract Rent Increases \$1+ from previous Certification. Data labels include percentage rent increase, dollar rent increase, and count of rent increase. Year label shown at bottom of graph.

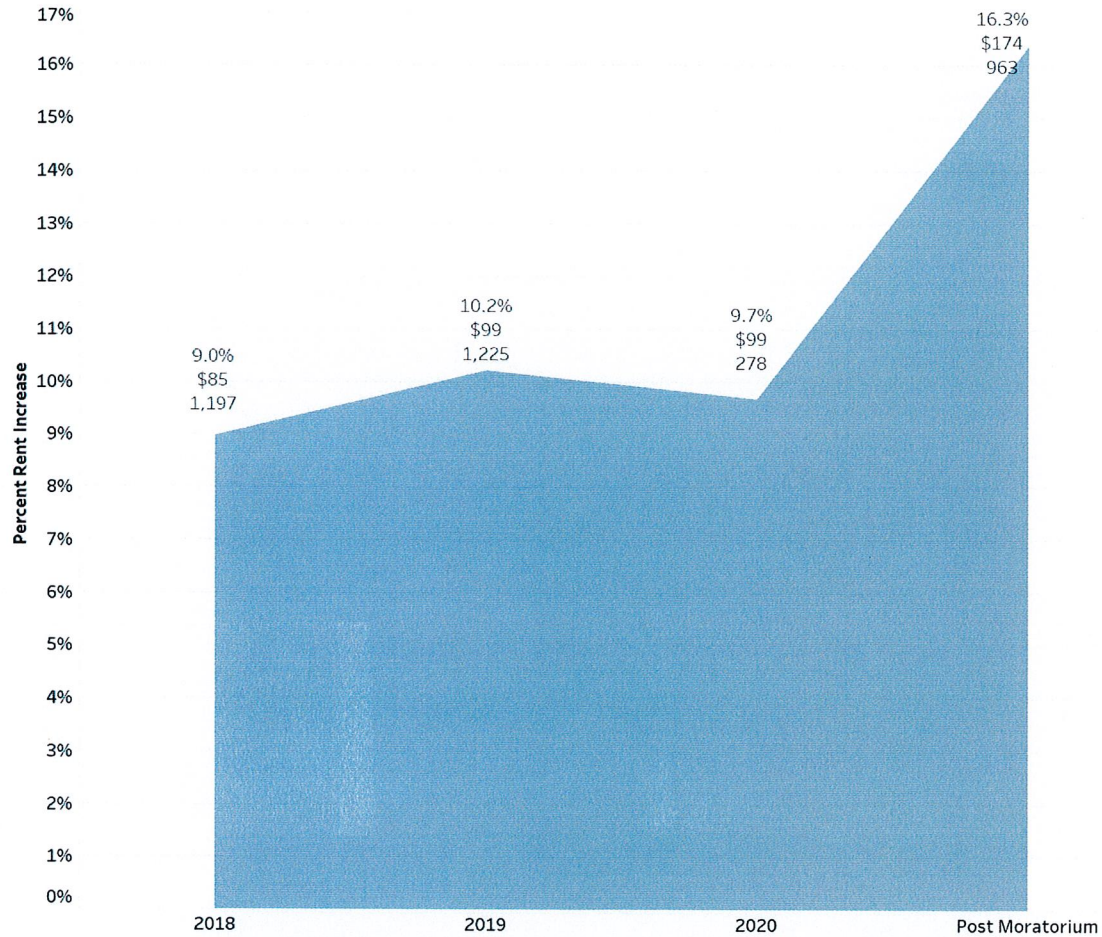


Figure 5. Rent Increases Processed 2018-Feb 2022. Based upon interim certification records for new contract rents \$1 or greater when compared to the previous certification record per household, 2018-February 2022.

Breaking down the post moratorium time interval by number of bedrooms, the largest percent interim rent increase was seen for 5-bedroom units (21.1%, \$383), followed by 2 (17.4%, \$178) and then 1 bedroom units (16.1%, \$138) [Figure 6].

Percentage Rent Increase for Tenant Based Voucher Households by Number of Bedrooms, Post Moratorium (July 2021- Feb 2022)

Limited to Interim Certifications with Contract Rent Increases \$1+ from previous Certification. Data labels include percentage rent increase, dollar rent increase, and count of rent increase. Number of Bedrooms shown at bottom of graph.

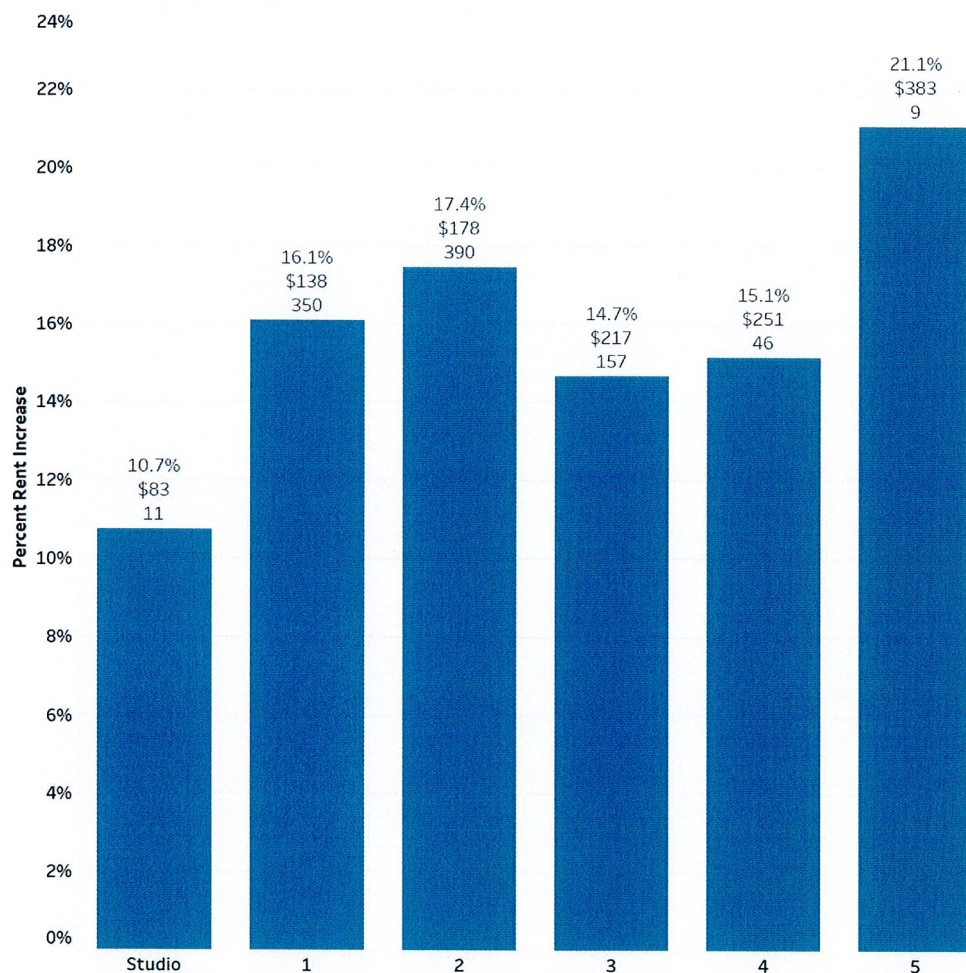


Figure 6. Rent Increases Processed Post Rent Moratorium by Number of Bedrooms.

Based upon interim certification records for new contract rents \$1 or greater when compared to the previous certification record per household, disaggregated by unit size, July 2021-February 2022.

The proportion of these rent increases as a fraction of total TBV households broken down by unit size is shown in Figure 7 (grey bars). We can see that 1- and 2-bedroom households were most prone to interim rent increases at 53.1% and 48.6%, respectively. Further breakdown by whether the increases occurred in multifamily structures or exist as single family dwellings (houses) can also be seen in the blue (multifamily dwellings) and orange (single family dwellings) bars in Figure 7. These differences come into play later when discussing average rents relative to payment standards and market rates in the sections below.

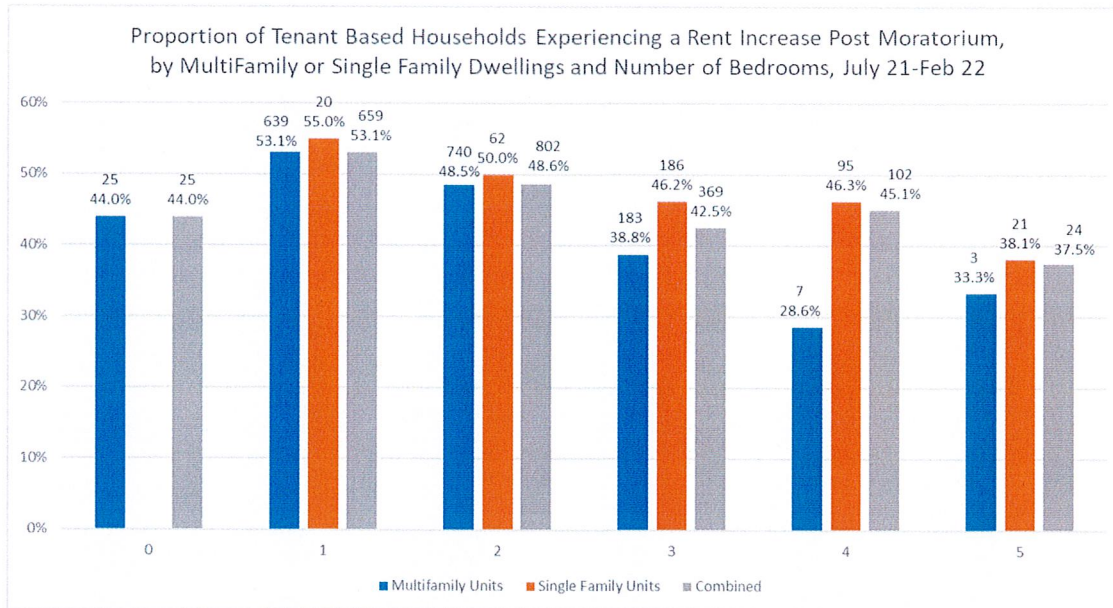


Figure 7. Proportion of Households by Number of Bedrooms and Multifamily or Single Family Dwelling Which Experienced a Rent Increases Post Moratorium. Data labels show total number of households within number of bedroom and dwelling type and the percentage which experienced a rent increase. Dwelling type disaggregated into multifamily (blue bars) and single family (orange bars) units. Combined total and weighted percentage shown in grey bars.

In general, as the number of bedrooms per unit increases, so does the proportion of renting from single family homes [Figure 8]. At 3 bedrooms per unit, the majority of TBV households rent single family units. Overall, over 70% of TBV Households rent studio, 1-, or 2- bedroom units in multifamily dwellings [Figure 8].

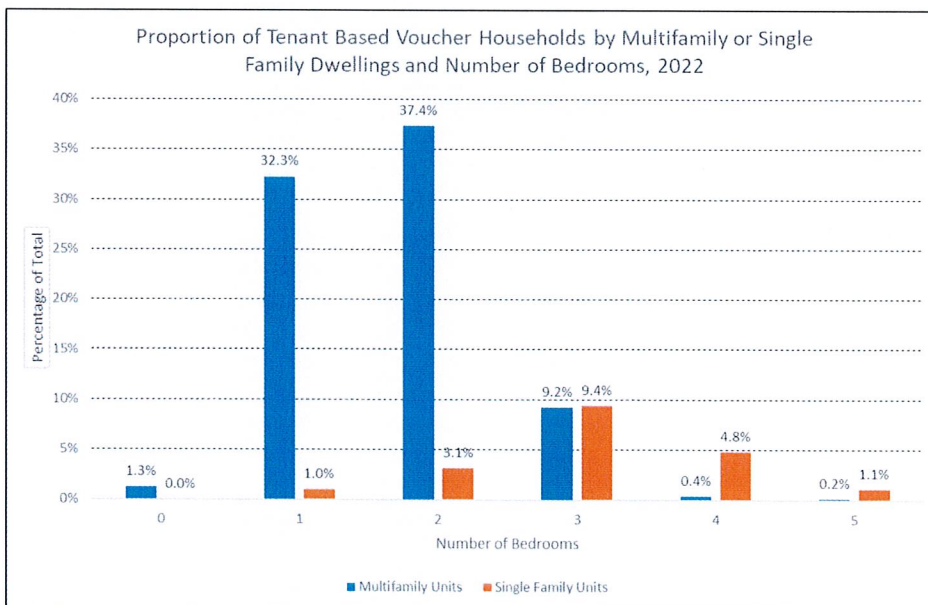


Figure 8. Proportion of Tenant Based Voucher Households by Number of Bedrooms and Dwelling Type, 2022. The vast majority of TBV households served live in 1 and 2 bedroom

units. In general, as the number of bedrooms increase, so too does the proportion of households living in single family units.

Placing rent increases by unit size in historic context, we can see steep rent increase percentage rises from 2020 to 2021 and onwards (post moratorium) across units with 1 through 5 bedrooms, with a less steep increase for studio apartments [Figure 9]. This is likely due in part to the lifting of the rent increase moratorium and increasing market rents throughout the region (Section 3 below).

Percentage Rent Increase by Number of Bedrooms, 2018-February 2022

Limited to Interim Certifications with Contract Rent Increases \$1+ from previous Certification. Data labels include percentage rent increase, dollar rent increase, and count of rent increase. Number of Bedrooms shown at top of graph, Year labels shown at bottom of graph.

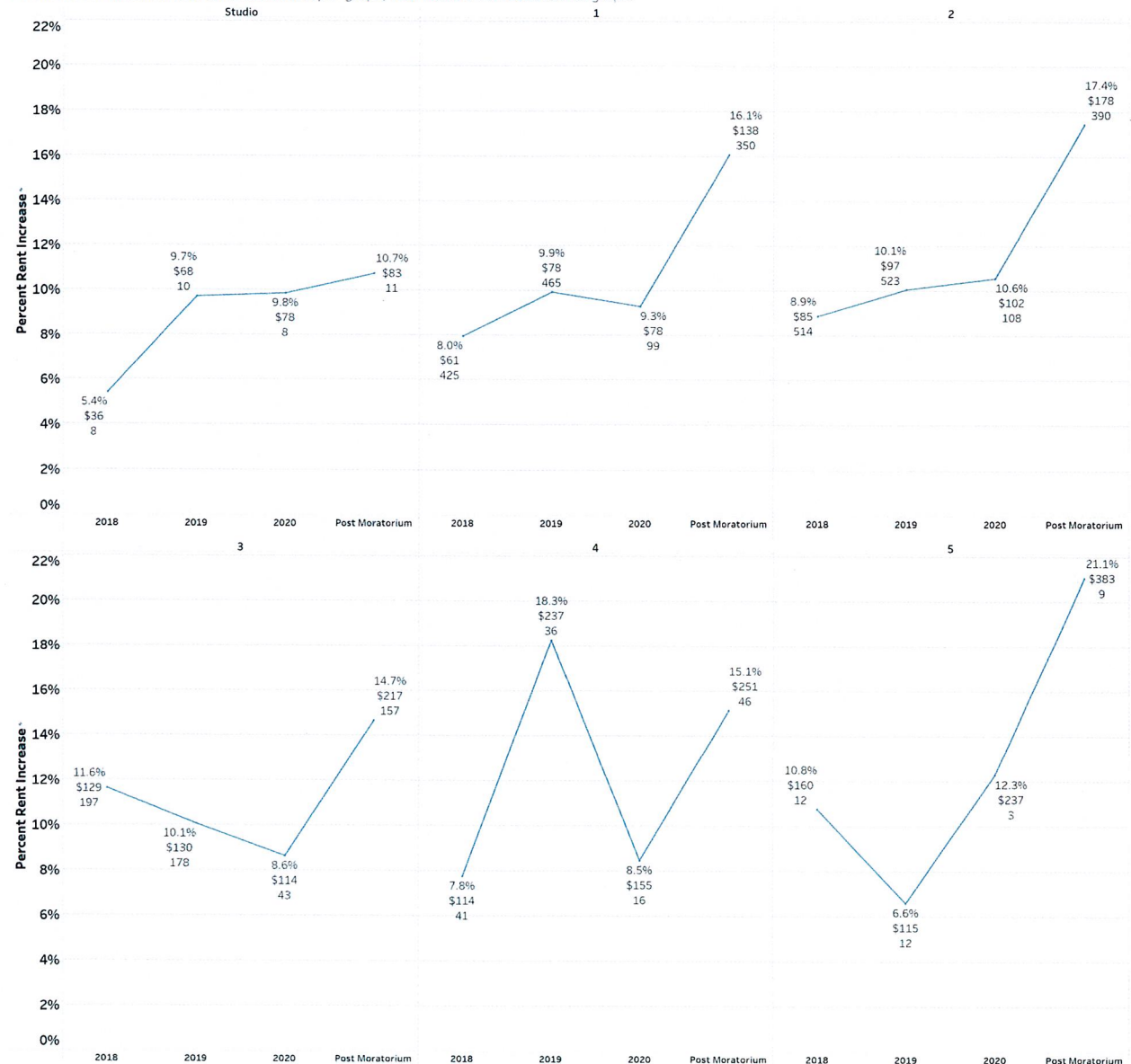
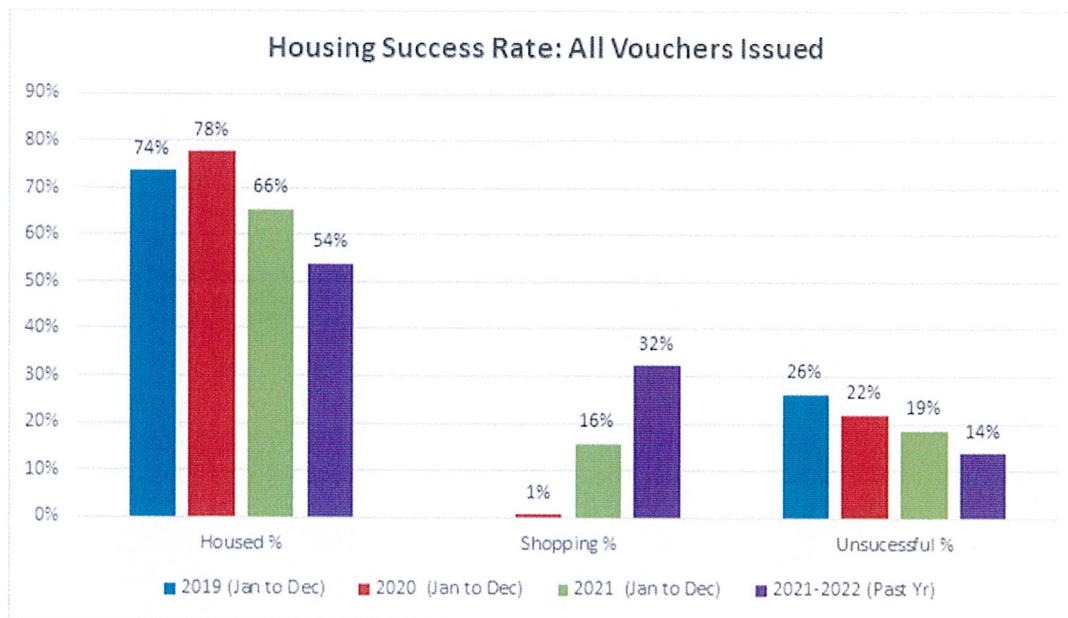


Figure 9. Interim Certification Rent Increases by Number of Bedrooms, 2018-2022. Based upon interim certification records for new contract rents \$1 or greater when compared to the previous

certification record per household, disaggregated by unit size, 2018-February 2022.

3. Housing Success Rate: Less than half of households issued a voucher within the past six months have secured housing.

33% of households issued a voucher within the past six months have secured housing. Over the past year (March 2021 - April 2022), 54% of households secured housing compared to 66% in 2021(December – January).



4. Average Market Rent and Vacancy Rates: Market rents continue to increase across all bedroom sizes while vacancy rates may be slightly decreasing or staying near constant levels.

Lower vacancy rates and higher rents make it difficult for clients to compete for units on the rental market. Increasing the payment standards helps them compete for those units with less out of pocket expenses.

In the past, THA had relied heavily on the vacancy report provided by Dupre + Scott. That company decided to cease operation in January 2018. Afterwards, THA used various compilations of on-line resources and a rental property survey that McCament and Rogers conducted twice yearly. Beginning this year, THA has established a contract with CoStar, a leading provider of apartment rental rate data. The geographic regions used for market rent comparisons are presented with boundaries roughly corresponding to the THA's jurisdiction and Tacoma Area Neighborhoods [Figure 10].

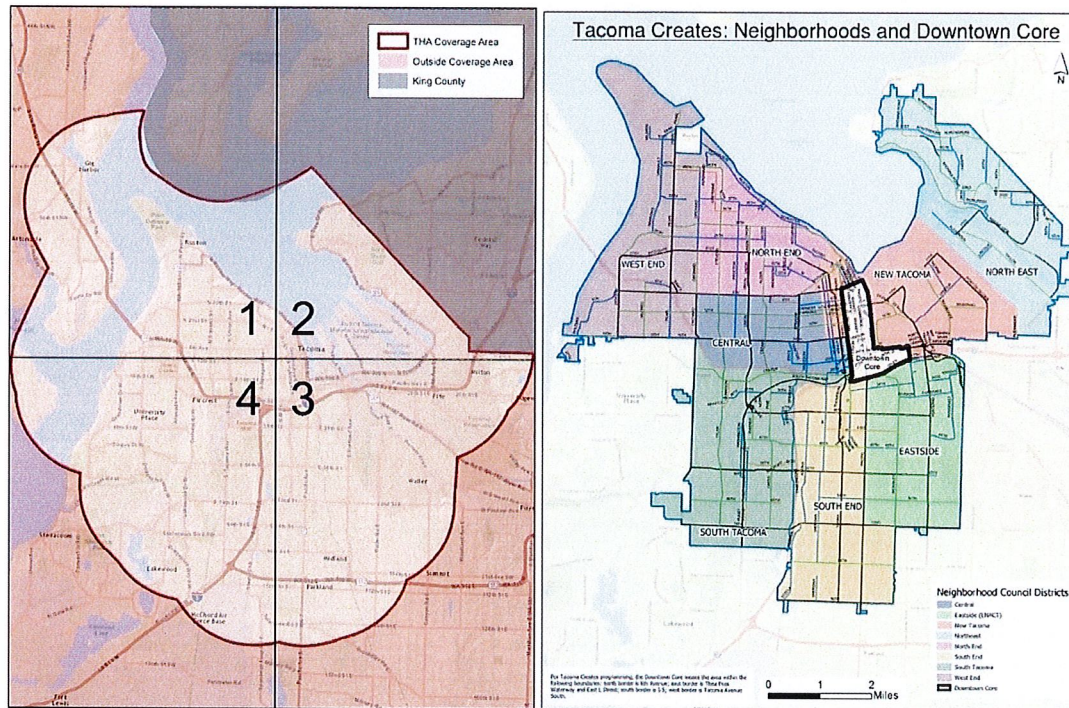


Figure 10. Geographic Regions Used for Market Comparison. Tacoma Housing Authority's jurisdiction Region (left) shown Source: <https://www.tacomahousing.org/resources/boundary-map/>. Tacoma Area Neighborhoods (right) shown. Source: <https://www.tacomacreates.org/definitions>.

Rent: THA's jurisdiction average rental amounts and vacancy rates in 2022 YTD are shown as compared to surrounding Pierce County and Tacoma Area Neighborhoods in Table 1. Average market rents are depicted visually in Figure 11. THA's jurisdiction market rents averaged \$1,502 in 2022 YTD, \$1,528 in Pierce County, and a range of \$1,935 (North East Tacoma, maximum) to \$1,047 (South End of Tacoma, minimum). Total Units (N) and Existing Buildings are also shown in Table 1.

Measure	Region/ Neighborhood										
	THA Service Area	Pierce County	North East Tacoma	West End	New Tacoma	Downtown	South Tacoma	North End	Eastside	Central Tacoma	South End
Average Yearly Effective Rent 2022 YTD (\$)	\$1,502	\$1,528	\$1,935	\$1,620	\$1,609	\$1,609	\$1,424	\$1,409	\$1,180	\$1,061	\$1,047
Vacancy Rate (%)											
Average 2022 YTD	4.6%	4.4%	5.0%	5.1%	12.5%	15.7%	2.7%	4.2%	8.1%	2.5%	2.7%
Vacant Units	1,995	2,719	35	182	404	361	102	118	82	60	36
Total Units (N)	45,847	65,228	757	4,340	3,941	2,850	3,811	2,958	1,054	2,339	1,389
Existing Buildings	1,392	2,081	27	72	62	54	132	213	60	150	85

Table 1. 2022 YTD average Vacancy Rates¹ and Rent by Tacoma Neighborhoods. Effective market rent includes concessions made between tenant and landlord. Rents displayed are average over the year by CoStar methodology.

Average Yearly Effective Market Rent by Region/Neighborhood, 2022 YTD
CoStar dataset limited to Multi-Family properties. Region/Neighborhood shown at bottom of graph.

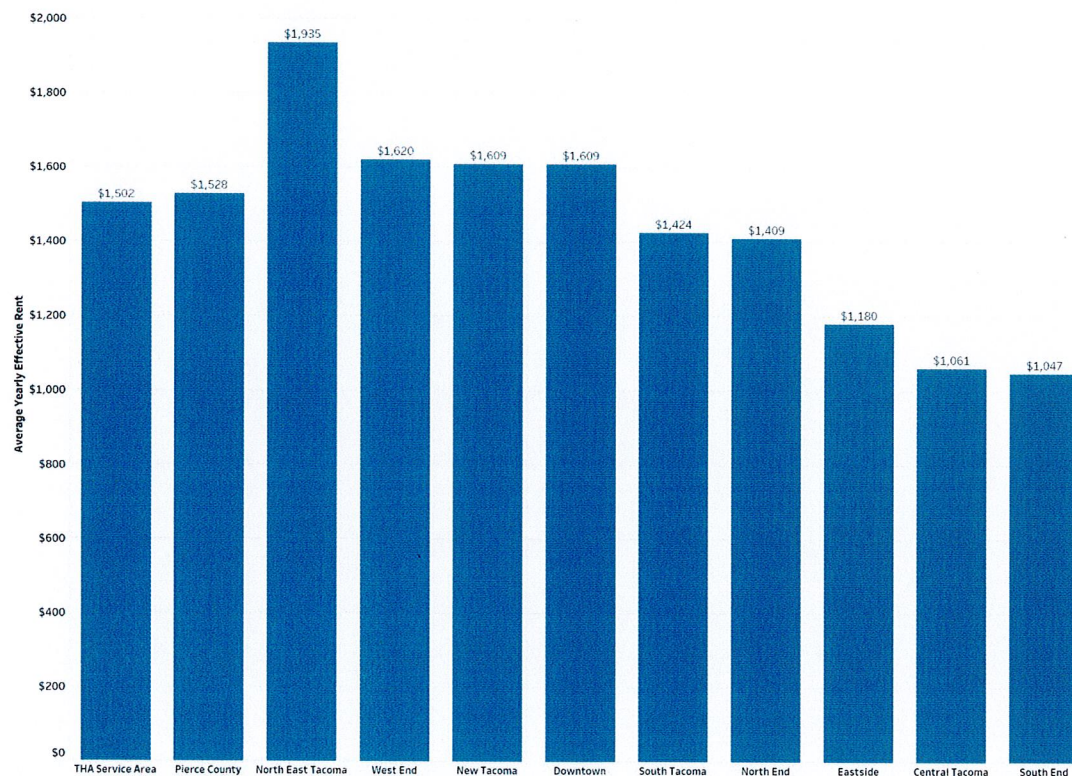


Figure 11. Average Effective Market Rent by Region/Neighborhood, 2022 YTD. Effective market rent includes concessions made between tenant and landlord. Rents displayed are average over the year by CoStar methodology.

Figure 12 compares these same regions or neighborhoods to each other over time, beginning with 2018 and ending with a forecast on an average yearly basis through 2026. Market rents are expected to continue to increase across all regions as they have been in the recent past, with overall differences in affordability appearing to remain fairly constant (distance between trend lines in Figure 14).

¹ Vacancy Rates and units may be elevated due to recent construction and renovation events, with higher frequency of such events relative to existing inventory in New Tacoma, Downtown, and Eastside Tacoma. Therefore, this component may be interpreted with caution.

Average Yearly Effective Market Rents, Multifamily Units 2018-2026

CoStar Dataset. Year label shown at bottom of graph. Estimated values 2022-2026. 2022 YTD average market rent \$ values shown.

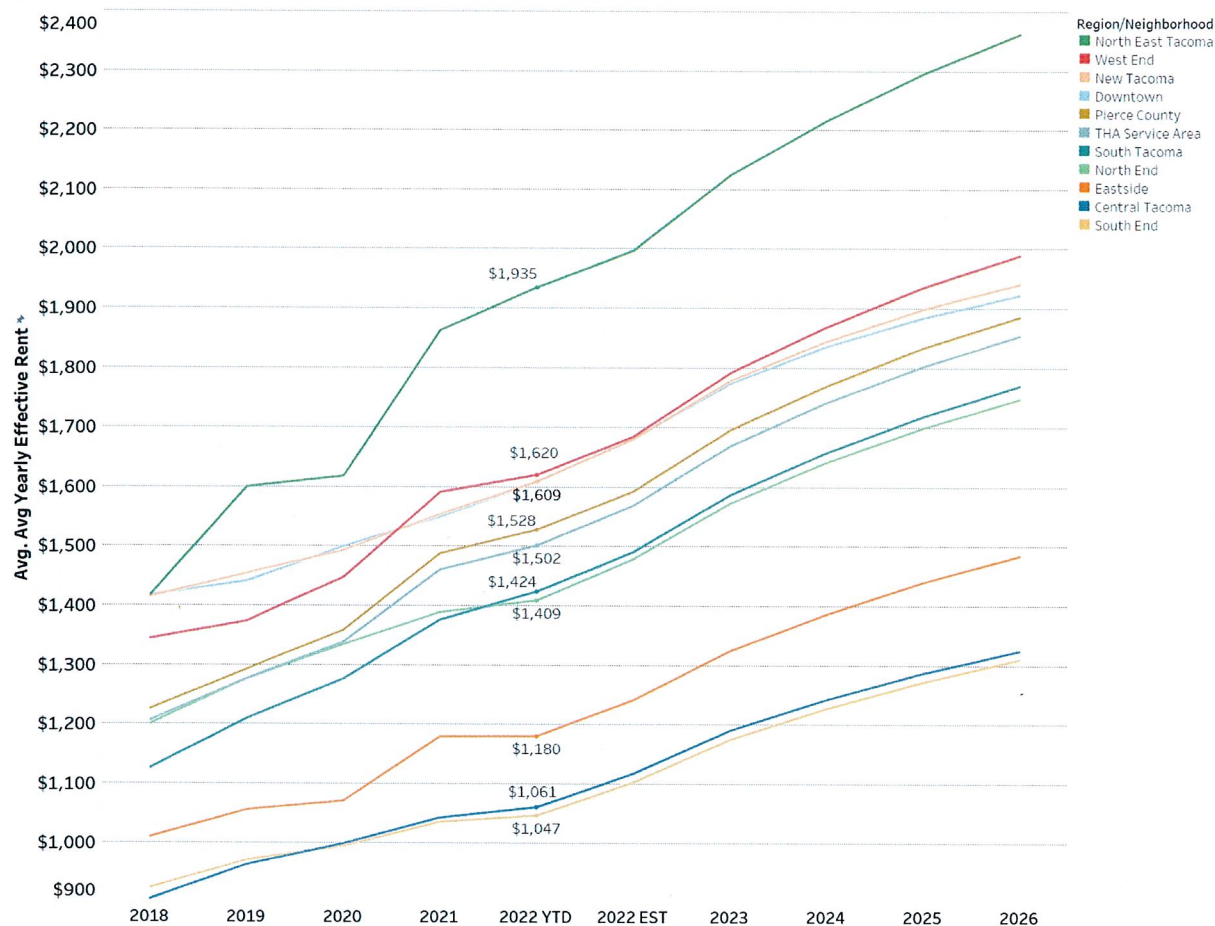


Figure 12. Market Rent by Region/Neighborhood, 2018-2026. Effective market rent includes concessions made between tenant and landlord. Rents displayed are average over the year by CoStar methodology, shown disaggregated by geographic region. Timeline from 2018-2026 includes projections.

Table 2 features a breakdown of average 2022 YTD vacancy rates and market rents within the THA Service Area by number of bedrooms, studio through 3.² THA's jurisdiction market rents averaged \$1,502 in 2022 YTD (combined), with weighted contributions from studio apartments (\$1,144; n = 5,820) to three bedroom units (\$2,092; n = 3,186) [Table 2 and Figure 13]. Market rents are expected to continue to increase across all bedroom sizes as they have been in the recent past [Figure 13].

² Since CoStar does not currently feature a single-family dwelling rental property database, and the majority of THA TBV 4+ bedroom units occur in single family dwellings [Figure 11], the representation of CoStar data at the 4+ bedroom category is limited and has been removed from comparison.

THA's Jurisdiction 2022 YTD	Unit Size				
	Combined	Studio	1	2	3
Average Yearly Effective Rent 2022 YTD (\$)	\$1,502	\$1,144	\$1,324	\$1,607	\$2,092
Vacancy Rate (%)					
Average 2022 YTD	4.6%	5.2%	4.8%	4.2%	4.9%
Average Vacant Units 2022 YTD	1,995	259	779	806	150
Total Units (N)	45,847	5,820	16,886	19,911	3,186
Existing Buildings	1,392	480	633	876	238

Note: Vacancy rates for areas with greater affordability are below 3% (see Table 1)

Table 2. 2022 YTD average Vacancy Rates and Rent by Number of Bedrooms within THA's jurisdiction. 4+ bedrooms not shown due to small sample size as increasing proportions of households rent Single Family Dwellings with increasing bedrooms.

Average Effective Rent THA Service Region, by Bedroom 2018-2026

CoStar Dataset. Year label shown at bottom of graph. Estimated values 2022-2026. 2022 YTD average and estimated 2022 EST and 2023 average market rent % values shown.

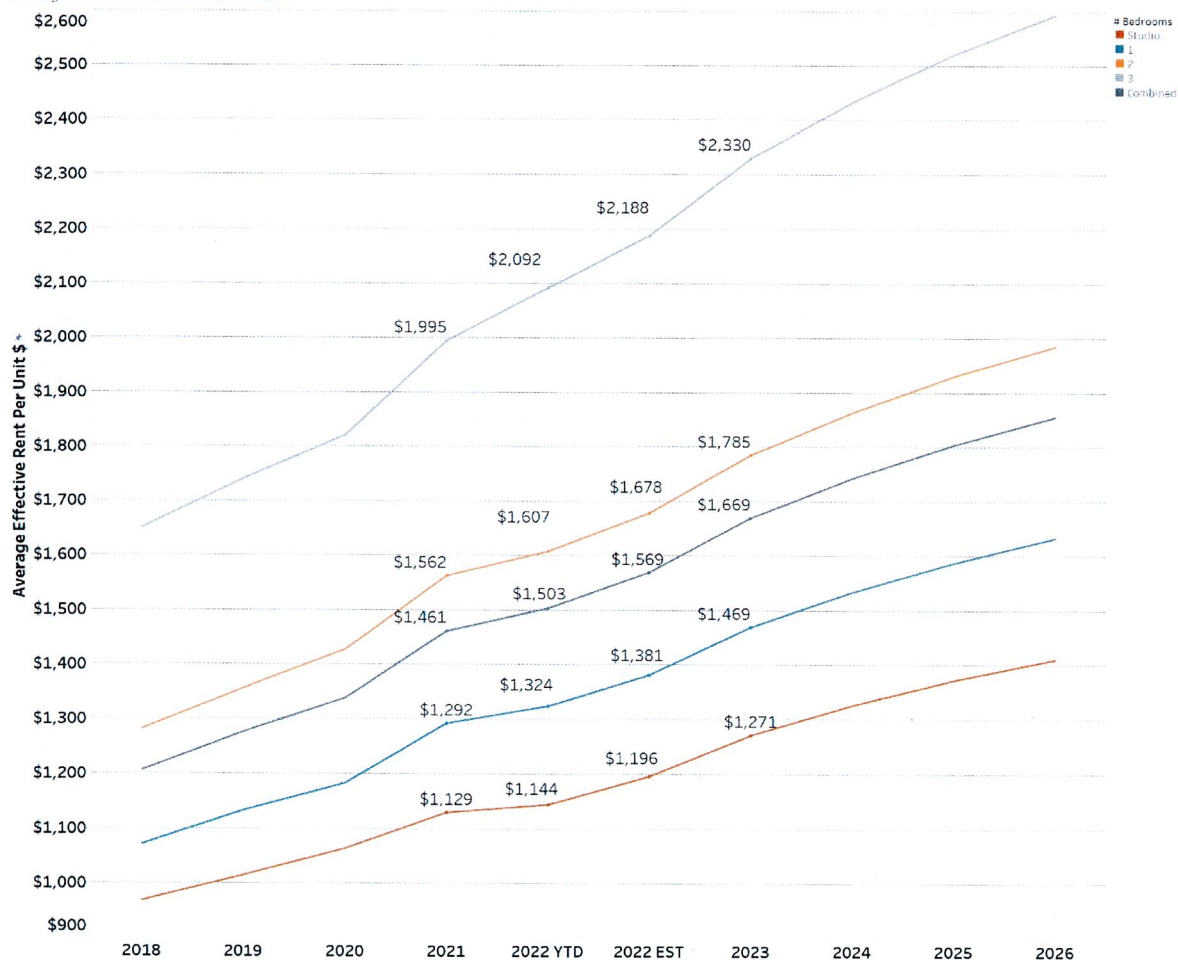


Figure 13. Market Rent by Number of Bedrooms, THA's jurisdiction, 2018-2026. Effective market rent includes concessions made between tenant and landlord. Rents displayed are average

over the year by CoStar methodology, shown disaggregated by unit size within THA's jurisdiction. Timeline from 2018-2026 includes projections.

Vacancy Rates: As shown in Table 1 and Figure 14, THA's jurisdiction average annual vacancy rates are compared to surrounding Pierce County and Tacoma Area Neighborhoods. The THA Service Area vacancy rates averaged 4.6% in 2022 YTD, 4.4% in Pierce County, with a range of 15.7% (Downtown Tacoma, maximum)³ to 2.5% (Central Tacoma, minimum). Total Units (N) and Existing Buildings are also shown in Table 1.

Average Vacancy % by Region/Neighborhood, 2022 YTD

CoStar data set limited to Multi-Family properties. Data labels show Vacancy % and Total Unit Inventory N. Region/Neighborhood labels shown at bottom of graph.

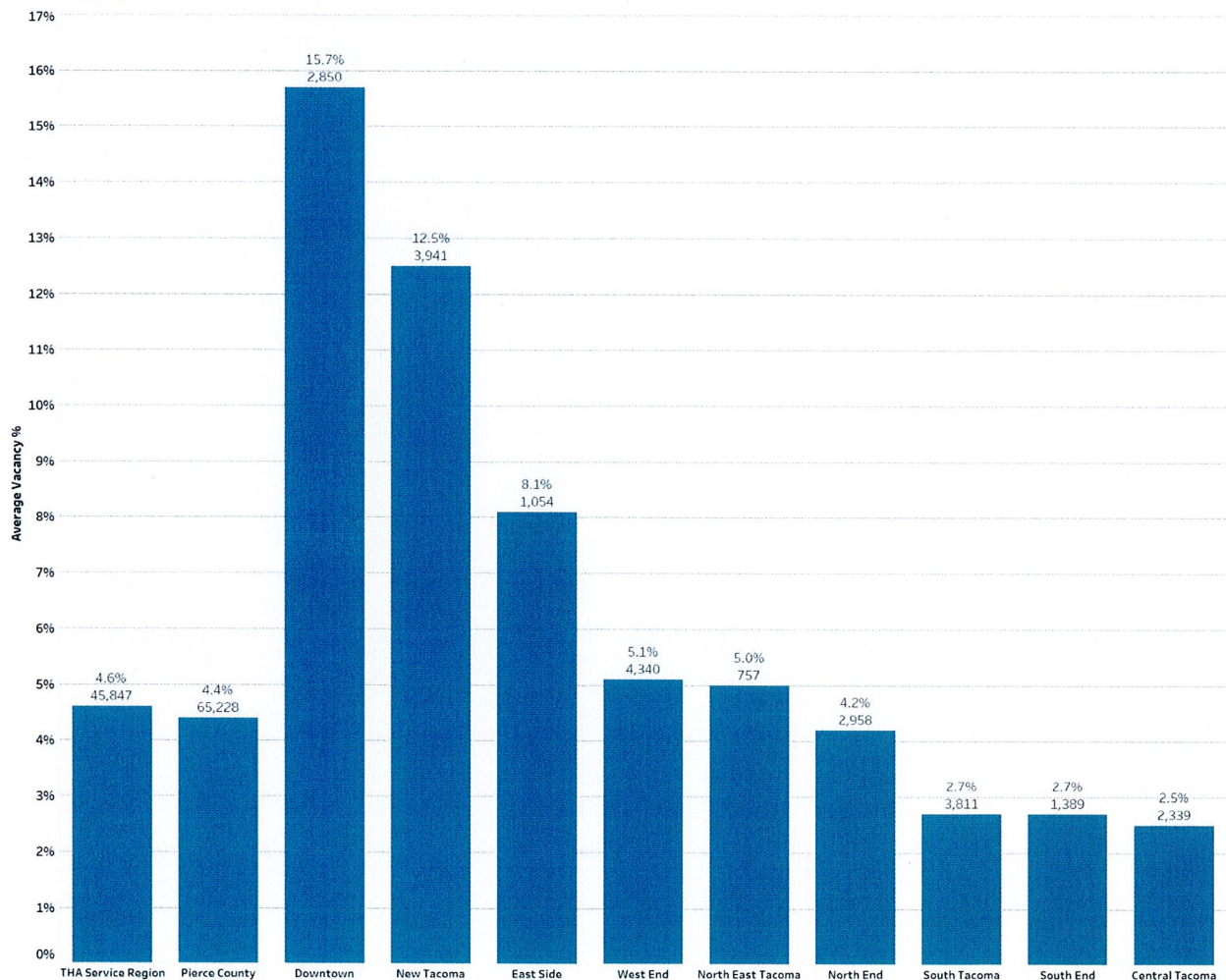


Figure 14. Average Vacancy Rates by Region/Neighborhood, 2022 YTD. Vacancy rates may be both a function of existing market inventory and newly constructed or renovated units which are

³ The elevated vacancy rate of Downtown, New Tacoma, and Eastside (and potentially other neighborhoods) may be influenced by newly constructed and/or renovated units which are currently on the market as per CoStar data. Therefore they have not been removed from this analysis as trend data in Figures 15 and 16 allows the comparison over time to be maintained without excessive complication while working with the CoStar database. Vacancy rates for areas with greater affordability are below 3%.

still unoccupied. Figure 15 compares these same regions or neighborhoods to each other over time, beginning with 2018 and ending with current 2022 YTD figures. Current vacancy rates seem to group together across most regions (Central, South, North, North East Tacoma) while North East Tacoma seems to be experiencing a large vacancy increase from previous years (based on CoStar data). Average vacancy rates of New Tacoma and Downtown tend to remain the highest in the region, with a maximum 18.6% average vacancy rate in Downtown Tacoma in 2021.

Average Yearly Vacancy by Region/Neighborhood, 2018-2022 YTD

CoStar Multi-Family dataset, combined weighted averages of all bedroom sizes.

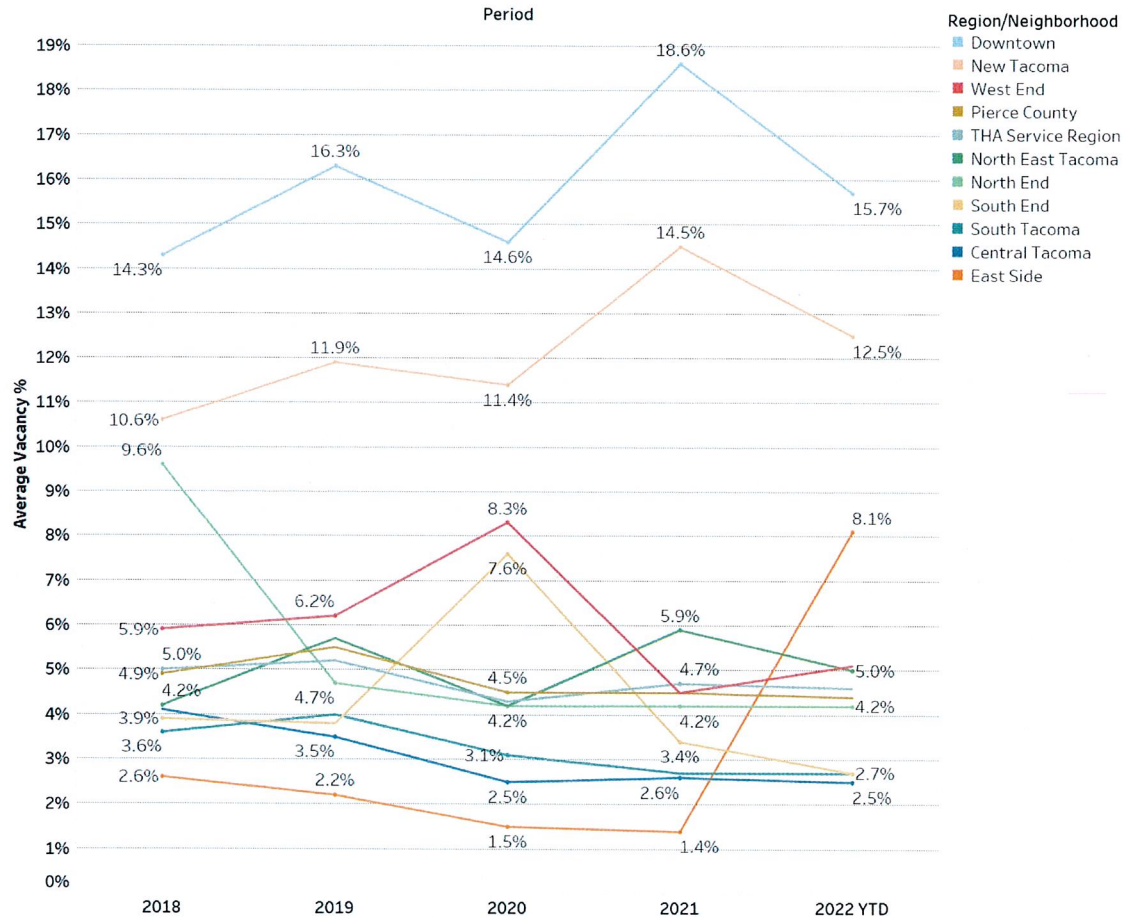


Figure 15. Average Vacancy Rates by Region/Neighborhood, 2018-2026. Vacancy rates may be both a function of existing market inventory and newly constructed or renovated units which are still unoccupied. As the featured vacancy rates by neighborhood are averaged per year, this comparison may reflect the impact of construction and renovation as can be seen in the elevated rates in Downtown, New Tacoma, and Eastside Tacoma.¹

THA's jurisdiction vacancy rates averaged 4.6% in 2022 YTD (combined), with weighted contributions from a maximum in studio apartments (5.2%; n = 5,820) to a minimum in two bedroom units (4.2%; n = 19,911) [Table 2 and Figure 16]. Overall vacancy rates appear to be decreasing or remaining relatively constant with a few minor exceptions. Vacancy rates of all bedrooms sizes appeared to have reached their recent minima in 2020 (since 2018), with 1

bedroom units being an exception as they have continued to decrease in availability in 2022 YTD (4.8%). Studio unit vacancy rates have climbed to their 5 year maximum of 5.2% in 2022 YTD, and three bedroom units peaked at 6.0% in 2021 before decreasing to 4.9% thusfar in 2022 [Figure 16].

Average Yearly Vacancy %, THA Service Region by Bedroom, 2018-2022 YTD

CoStar Dataset. Year label shown at bottom of graph.

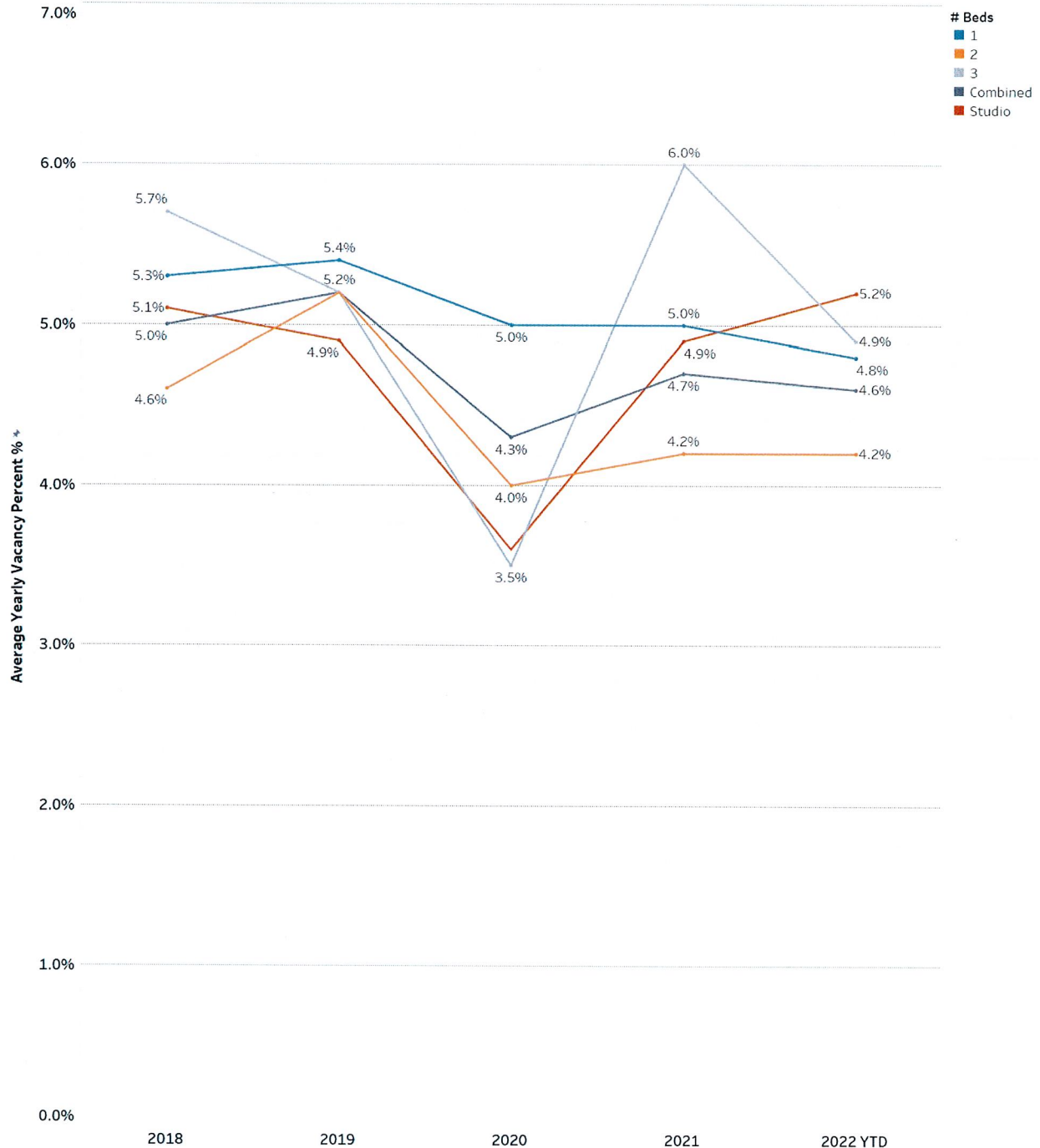


Figure 16. Vacancy Rates by Number of Bedrooms, THA's jurisdiction, 2018-2026. Vacancy

rates appear to be decreasing slightly and relatively stable across the past few years when disaggregating unit size within THA's jurisdiction.

5. Comparison of Current Payment Standards with Tacoma Average Rents: Payment Standards for studio-, 1- and 2- bedroom units are moving in concert with market rents.

Comparing the current payment standards to market rents in the area provides a metric that can help determine the precision of the HUD FMRs and/or the market rent data used for comparison. This is important in our dynamic market to allow increases that keep pace with real-time asking rents.

As shown in Figure 17, the THA Payment Standards appear to have generally moved in synchronization with market rents for studio, one, and two bedroom units at a margin beneath the market rents. For 3 bedroom units, the Payment Standard appears to exceed the market rent consistently for the past 5 years. This could be due to database limitations of single family dwellings for 3+ bedroom units which are not currently captured in CoStar [Figure 11]. It may also indicate that the average single family rent for all market units increasingly exceeds those of multifamily dwellings as number of bedrooms increase (see Section 6). This is difficult to confirm entirely without having a full market comparison, however internal TBV contract rent data below seems to point in this direction (Section 6).

Comparing Average Market Rents with Payment Standards by Number of Bedrooms, 2018-2022

CoStar data limited from Studio to 3 beds due to small sample size and focus on Multifamily buildings. Year label at bottom of graph.

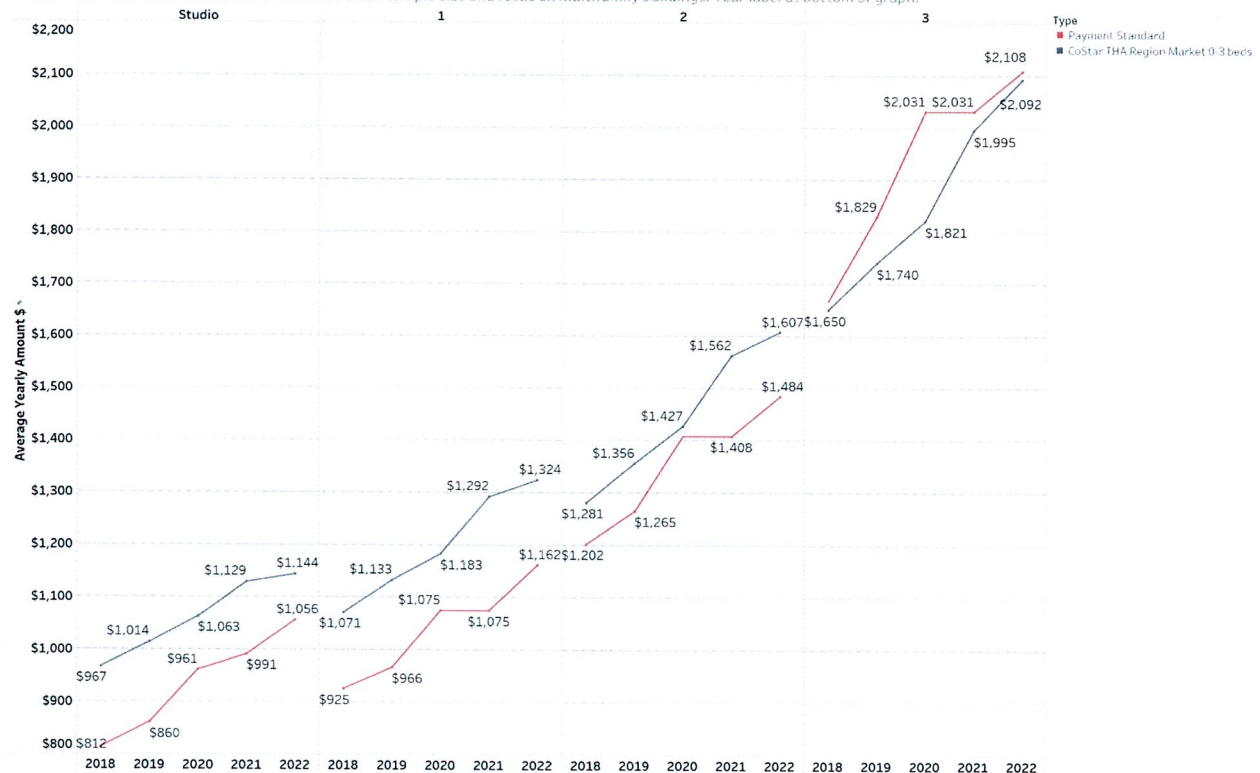


Figure 17. Payment Standards and Average Tacoma Jurisdiction Market Rent Rates by Number

of Bedrooms, THA's jurisdiction, 2018-2026. *CoStar current limitation is Multi-Family properties, so data does not capture the current market reality for larger numbers of bedrooms 4 and above.*

6. Comparison of THA Rents with Current Payment Standard: Average contract rents continue to increase since the last Payment Standards adjustment in November 2021 .

Comparing the current payment standards to actual TBV rents THA is paying for 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 3 compares the **current** payment standards and the actual average contract rent amounts for TBV households in 2021 and 2022. As compared to the 2022 Payment Standards, average household contract rents are increasing across the board with the largest increase relative to the current payment standards for 5-bedroom units (8.6%) to the smallest increase of 3.7% for Studio apartments.

	Current Payment Standards 2022	Avg Contract Rent 2021	Avg Contract Rent 2022	2022-21 Change as % of 2022 PS
Studio	\$1,056	\$819	\$858	3.7%
1 bedroom	\$1,162	\$898	\$976	6.7%
2 bedroom	\$1,484	\$1,124	\$1,209	5.7%
3 bedroom	\$2,108	\$1,484	\$1,587	4.9%
4 bedroom	\$2,540	\$1,691	\$1,831	5.5%
5 bedroom	\$2,921	\$1,851	\$2,101	8.6%

Table 3. Comparison of Current Payment Standards with 2021 and 2022 Tenant Based Voucher Household Average Contract Rent

7. Comparison of THA Rents with Average Market Rents: Average contract rents appear to be increasing faster than available market rents.

Comparing current market rents to actual rents THA is paying for 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 4 compares the actual average contract rent amounts for TBV households with those from CoStar market research. It appears across all available unit sizes, that average contract rents are increasing at a faster pace than the market (final column in Table 4). The fastest relative growth of average contract rents against market rents occurs in 1-bedroom units (4.2%) and slowest growth is in 3-bedroom units (1.5%).⁴

	THA Jurisdiction Rents 2021 (Market)	Avg Contract Rent 2021	Contract Rent as % of Market Average 2021	THA Jurisdiction Rents 2022 (Market)	Avg Contract Rent 2022	Contract Rent as % of Market Average 2022	2022- 2021 % Change
Studio	\$1,129	\$819	72.5%	\$1,144	\$858	75.0%	2.5%
1 bedroom	\$1,292	\$898	69.5%	\$1,324	\$976	73.7%	4.2%
2 bedroom	\$1,562	\$1,124	72.0%	\$1,607	\$1,209	75.2%	3.3%
3 bedroom	\$1,995	\$1,484	74.4%	\$2,092	\$1,587	75.9%	1.5%

Table 4. Comparison of Market Rent Trends with Tenant Based Voucher Household Average Contract Rent, 2021-2022

This variable rate phenomenon has been visualized in Figure 18a and 18b, as the decreasing gap between the green (contract amount, combining single and multifamily units) and black trend lines (market data), broken down by number of bedrooms from 2021 to 2022. Likewise, Figures 18a and 18b add in average Housing Assistance Payments (HAP) to the visual alongside average contract rents, to visualize comparative changes over time against market rates and payment pstandards. In general, overall HAP (green lines) and contract rents (purple lines) appear to mirror the yearly increases of market rent rates (black lines, CoStar data) and Payment Standards (red lines) for studio, one, and 2-bedroom units [Figure 18a].

⁴ The 3 bedroom data may likely be incomplete due to the current CoStar limitation excluding single family dwellings.

Comparing Payment Standards with Average Household Contract Rents and Housing Assistance Payments, by Number of Bedrooms and Single Family and Multifamily Dwellings, 2018-2022

Household number of bedrooms ranging from Studio to 5, not showing 6+ due to small sample sizes. CoStar data limited from Studio to 3 beds due to small sample size and focus on Multifamily buildings. Year label at bottom of graph.



Figure 18a. Payment Standards, Average THA Jurisdiction Market Rents Compared with Contract Rents and Housing Assistance Payments, Single Family and Multifamily Dwellings, 2018-2022. Same dataset as Figure 18b displaying unit sizes from studio through 2 bedrooms.

Comparing Payment Standards with Average Household Contract Rents and Housing Assistance Payments, by Number of Bedrooms and Single Family and Multifamily Dwellings, 2018-2022

Household number of bedrooms ranging from Studio to 5, not showing 6+ due to small sample sizes. CoStar data limited from Studio to 3 beds due to small sample size and focus on Multifamily buildings. Year label at bottom of graph.



Figure 18b. Payment Standards, Average THA Jurisdiction Market Rents Compared with Contract Rents and Housing Assistance Payments, Single Family and Multifamily Dwellings, 2018-2022. Same dataset as Figure 18a displaying unit sizes from 3 through 5 bedrooms.

For 3+ bedrooms, however there are differences in the relative trends of contract rents and HAP over time which may be due to a variety of factors. For 3-bedroom units, HAP (pink, purple, violet lines in Figure 18b) appears to be increasing at a slower pace than their yearly corresponding contract rents, market rents, and payment standards. This could be due to the availability of affordable units, regional differences, households renting units larger than their household composition, or other factors.

Figures 18a and 18b also break down HAP and contract rent by TBV households renting multifamily and single family units. For 4+ bedroom units, differences in both HAP and contract rents appear to be more pronounced when disaggregating dwelling type [Figure 18b]. At the 4 bedroom unit size and beyond, average contract rents for single family units (orange lines) appear to overtake multifamily units (blue), and carry the largest weight towards determining the overall combined averages of those measures (green and purple lines). This seems to reflect the take-aways from Figures 8 and 17 related to increasing proportions of single family dwellings with larger unit sizes and current CoStar data limitations for market comparison. In recent years, the overall average HAP and contract rents appear to be growing at a much faster rate than the Payment Standards especially for 5-bedroom units, however the difference between the Payment Standards and HAP remains quite large, likely an indication of lower overall rent burden for this population.

8. Estimated Financial Impact on THA

The Financial impact for the proposed payment standard adjustments for existing Vouchers leasing over the existing payment standard rents is approximately \$440K per annum (cumulative) for all the BR sizes impacted.

This impact analysis does not include adjustments to rents that may increase over the existing payment standards upon new lease ups, or rent adjustments for clients currently renting. The Budget is drafted anticipating increasing rents during the year. As of May, the average HAP per unit is under budgeted amounts for the Vouchers impacted.

Additionally, we just received the funding information for 2022 from HUD, and there was a 2.736 increase in funding (\$1.388,400), which is an increase over our budgeted amount, which was based on 2021 funding. The payment standard increases will easily fit into the increased funding amount.

Recommendation

Analysis findings in favor of increasing the payment standards:

- There has been a notable increase in the overall rent burden rate among participants, especially for HOP households, and 1- and 2-bedroom households
- Rent increases are considerably higher when compared to previous years. This may be due to the lifting of the Rent Moratorium and rapidly increasing market rents
- 305 vouchers were issued over the past 6 months and 33% of households have secured housing.
- 25% of voucher holders are renting (appropriately sized) units above the payment standard.
- Rents are steadily increasing across THA's jurisdiction and for all bedroom sizes
- Vacancy rates remain quite low across the region, especially neighborhoods featuring greater market affordability
- Average contract rents are increasing at a faster rate than the reported regional market rates, especially for units with 2 and fewer bedrooms

Analysis findings in favor of retaining the current payment standards:

- Without disaggregating other factors, no unit size has greater than 40% of its households over 30% rent burden
- Some factors affect certain less numerous households than others- this may indicate a more nuanced approach now or in the future for setting payment standards
- The households which have been most negatively affected by recent market trends are also the most numerous (1- and 2- bedroom units), leading to a larger impact on THA finances
- While average contract rents are increasing, they remain below the 2022 Payment Standards

Final Recommendation

After a review of our current payment standards and the other factors listed in this analysis, we recommend setting zero and three bedroom units at 103% and one and two bedroom units at 105% of the 2022 FMRs. These increases generally align with or are slightly greater than the year over year increase in program participant contract rents (section 7). We do not recommend adjusting the payment standards for unit sizes above three bedrooms. We hope that setting our payment standards at these amounts will increase our housing success rate and decrease the number of households renting over the payment standard. Rental Assistance will conduct this analysis again in 6 months and will present a recommendation to the Board if applicable.

	Current Payment Standards	FY2022 FMRs	Proposed Payment Standards	% of the FMR	% Increase from current PS	Proposed HOP Subsidy Amount
Studio	\$1,056	\$1,056	\$1088	103%	3%	\$544
1 bedroom	\$1,162	\$1,162	\$1220	105%	5%	\$610
2 bedroom	\$1,484	\$1,484	\$1558	105%	5%	\$779
3 bedroom	\$2,108	\$2,108	\$2,171	103%	3%	\$1,086
4 bedroom	\$2,540	\$2,540	\$2,540	100%	0%	\$1,270
5 bedroom	\$2,921	\$2,921	\$2,921	100%	0%	\$1,461
6 bedroom	\$3,302	\$3,302	\$3,302	100%	0%	\$1,651
7 bedroom	\$3,683	\$3,683	\$3,683	100%	0%	\$1,842
8 bedroom	\$4,064	\$4,064	\$4,064	100%	0%	\$2,032

Staff recommends approving Resolution 2021-05-25 (2) authorizing THA to adopt new payment standards effective October 1, 2022.



TACOMA HOUSING AUTHORITY

RESOLUTION 2022-05-25 (2) (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

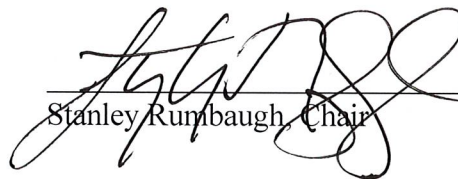
WHEREAS, the housing authority sets payment standards based on market and participant data; and

WHEREAS, new payment standards will go into effect October 01, 2022; 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 set THA's payment standards for all bedroom sizes at 100% of the 2022 HUD Fair Market Rents.

Approved: May 25, 2022


Stanley Rumbaugh, Chair