



TACOMA HOUSING AUTHORITY

RESOLUTION 2022-10-26 (3)

Date: October 26, 2022

To: THA Board of Commissioners

From: April Black
Executive Director

Re: Update to THA's Payment Standards

This resolution would authorize Tacoma Housing Authority (THA) to adopt new 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 year, in this case, 2023. 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 October 1st, 2022.

The following table reflects the HUD 2023 FMRs and the previous 2022 FMRs:

	FY2022 FMRs	FY2023 FMRs	\$ Change	FMR % Change From 2022 - 2023
Studio	\$1,056	\$1,174	\$118	11.2%
1 bedroom	\$1,162	\$1,308	\$146	12.6%
2 bedroom	\$1,484	\$1,643	\$159	10.7%
3 bedroom	\$2,108	\$2,335	\$227	10.8%
4 bedroom	\$2,540	\$2,740	\$200	7.9%
5 bedroom	\$2,921	\$3,151	\$230	7.9%
6 bedroom	\$3,302	\$3,562	\$260	7.9%
7 bedroom	\$3,683	\$3,973	\$290	7.9%
8 bedroom	\$4,064	\$4,384	\$320	7.9%

Data Analysis

Policy, Improvement and Evaluation staff's analysis around the following indicators provide the evidence needed to increase the payment standards.

Rent Burden

- Tenant-based voucher (TBV) households are facing increasingly steep rent burden, especially those in 2-bedroom units. EHV households face higher rent burdens when compared to HCV households.

Rent Increases

- Interim rent increases at 15% remain at nearly the same levels as last year, which were already significantly higher than previous years.

Housing Success

- Rates of housing success appear to have decreased slightly in 2021, and average shopping days to successful lease up increased in 2021 but may be decreasing among a sample of 2022 shoppers.

Market Rents

- Market rents continue to increase across all bedroom sizes while vacancy rates are staying near constant levels and decreasing in areas with new construction.
- Payment Standards for studio-, 1-, and 2- bedroom units increased slightly faster than average market rents from 2021 to 2022.
- Only 26% of 137 vacant units listed by our landlord partners are currently at or below THA's payment standards.

Contract Rents

- Average TBV contract rents continue to increase (15%) since the last Payment Standards adjustment in August 2022.
- Average TBV contract rents appear to be increasing faster than market rents.

HUD Fair Market Rents

- The 2023 Fair Market Rents (FMR) appear to be increasing faster than projected market rents and previous FMR trends
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Estimated Financial Impact

THA's 2023 budget projects significant HAP increases over 2022. Specifically, the DRAFT budget assumes a 14% increase for HCV and 20% for HOP (larger due to the increased cost of the conversion to HCV). The DRAFT budget also assumes aggressive leasing goals (leasing to more households). If THA meets our substantially the same goals in 2023, our DRAFT budget estimates our HAP increase to be approximately \$1.6 million when compared to the 2022 funding THA received from HUD.

THA can absorb this \$1.6 million increase with a federal budget increase of 3% or greater. The Finance Department is in support of increasing the payment standards this year. THA will closely monitor HAP expenditures, leasing, and the development of the federal budget. If

necessary, THA will employ mechanisms to reduce HAP expenditures. THA may do so by leasing to fewer families or adjusting payment standards later in the year.

The Finance Department supports the significant proposed HAP increases for VASH and EHV program participants contingent on an assurance from HUD that this spending will not lead to these programs falling into shortfall.

Final Recommendation

1. After a review of our current payment standards and the other factors listed in this analysis, we recommend setting zero to three-bedroom units at 105% and all other bedroom sizes at 100% of the 2023 FMR.
2. Considering this analysis, yearend utilization projections, feedback from our community partners and the successes of adjacent PHAs, we propose developing exception payment standards for two programs.
 - THA's Emergency Voucher utilization rate is 44%. THA has an allocation of 135 vouchers. Current regulations will not permit THA to reissue these vouchers after September 2023. It is imperative for us to lease as many vouchers as possible prior to that deadline. Other PHAs in the region have significantly higher utilization rates. Regional PHAs and our referring partners attribute much of that success to payment standards set at 120% of the FMR. **We recommend increasing the payment standard to 120% for all bedroom sizes for EHV participants.**
 - THA's VASH utilization rate is 63%. Our VA partners have long asked THA to consider exception payment standards to help increase the success rate for their high barrier clients. **We recommend increasing the payment standard to 120% for all bedroom sizes for tenant-based VASH participants.**

We recommend implementing higher payment standards (up to 120%) for EHV and VASH after consultation with HUD regarding our projected 2023 budget authority. Changes will be contingent on guidance from HUD.

It is our aim that these changes to THA's payment standards coupled with our investments in housing navigation supports will increase the number of affordable units for program participants and will reduce rent burdens. Policy, Improvement, and Evaluation will conduct this analysis again in six months.

	Current Payment Standards	FY2023 FMRs	Proposed Payment Standards	% of the FMR	% Increase from current PS	Proposed EHV & VASH Subsidy Amount (120%)
Studio	\$1,088	\$1,174	\$1,233	105%	13%	\$1,409
1 bedroom	\$1,220	\$1,308	\$1,373	105%	13%	\$1,570
2 bedroom	\$1,558	\$1,643	\$1,725	105%	11%	\$1,972
3 bedroom	\$2,171	\$2,335	\$2,452	105%	13%	\$2,802
4 bedroom	\$2,540	\$2,740	\$2,740	100%	8%	\$3,288
5 bedroom	\$2,921	\$3,151	\$3,151	100%	8%	\$3,781
6 bedroom	\$3,302	\$3,562	\$3,562	100%	8%	\$4,274
7 bedroom	\$3,683	\$3,973	\$3,973	100%	8%	\$4,768
8 bedroom	\$4,064	\$4,384	\$4,384	100%	8%	\$5,261

Staff recommends approving Resolution 2022-10-26 (3) authorizing THA to adopt new payment standards effective January 1, 2023.



TACOMA HOUSING AUTHORITY

RESOLUTION 2022-10-26 (3) (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 January 01, 2023 or sooner for Special Purpose Vouchers; 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 at:

- 105% of the 2023 HUD Fair Market Rents for zero to three bedroom units;
- 100% of the 2023 HUD Fair Market Rents for units four bedrooms and larger; and
- up to 120% of the 2023 HUD Fair Market Rents for Emergency Housing Voucher and VASH program participants for all bedroom sizes.

Approved: **October 26, 2022**



Shernetta Smith, Chair