



To: THA Board of Commissioners
From: April Black, Executive Director
Subject: Update to THA's Payment Standards
Date: May 24, 2023

Update to Payment Standards at Tacoma Housing Authority

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 January 1st, 2023.

THA typically reviews the payment standards twice per year. This is the mid-year review.

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%

Executive Summary

Policy, Improvement and Evaluation staff's analysis around the following indicators provide the evidence needed to recommend maintaining the payment standards that went into effect in January 2023. Market rents decreased slightly and rent increases remain at 15% while median rent burdens have decreased. HAP expenses have increased but overall, more than 40% of households are paying over 30% of their income toward rent. Notably, THA needs to increase overall utilization to meet our substantially the same requirement. Considering these facts, we find that it is too early to measure the impact of the payment standard changes, particularly on housing success rates.

Rent Burden

- Median rents burdens are decreasing
- The percentage of households paying more than 30% of their income to rent is decreasing across all programs except for the Emergency Housing Vouchers.
- Aside from VASH, all other programs are still seeing more than 40% of households paying over 30% of their income toward rent.

Rent Increases

- Interim rent changes averaged 15% higher than previous contract rents, remaining at nearly the same levels as last year, which were already significantly higher than prior years.

Housing Success

- Rates of housing success (i.e. the ability for a household to secure a unit) appear to have decreased in 2022, however shopping days among households which were successful leasing up decreased in 2022.

Market Rents and Vacancy Rates

- Market rents decreased slightly while vacancy rates increased across nearly all regions and unit sizes, indicating a slightly less stressed rental market.
- Payment Standards for studio-, 1-, and 2- bedroom units increased faster than, ultimately exceeding the average market rents from 2022 to 2023.
- 72% of 167 vacant units listed by our landlord partners are at or below THA's payment standards compared to 26% prior to the payment standard change.

Contract Rents

- Average contract rents are increasing at a slower rate relative to the last Payment Standards analysis in January 2023.
- Average contract rents and HAP appear to be increasing faster than market rents.

HUD Fair Market Rents

- 2023 FMRs appeared to have increased much faster than market rents and to a lesser extent contract rents.

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Section 1 Rent Burden

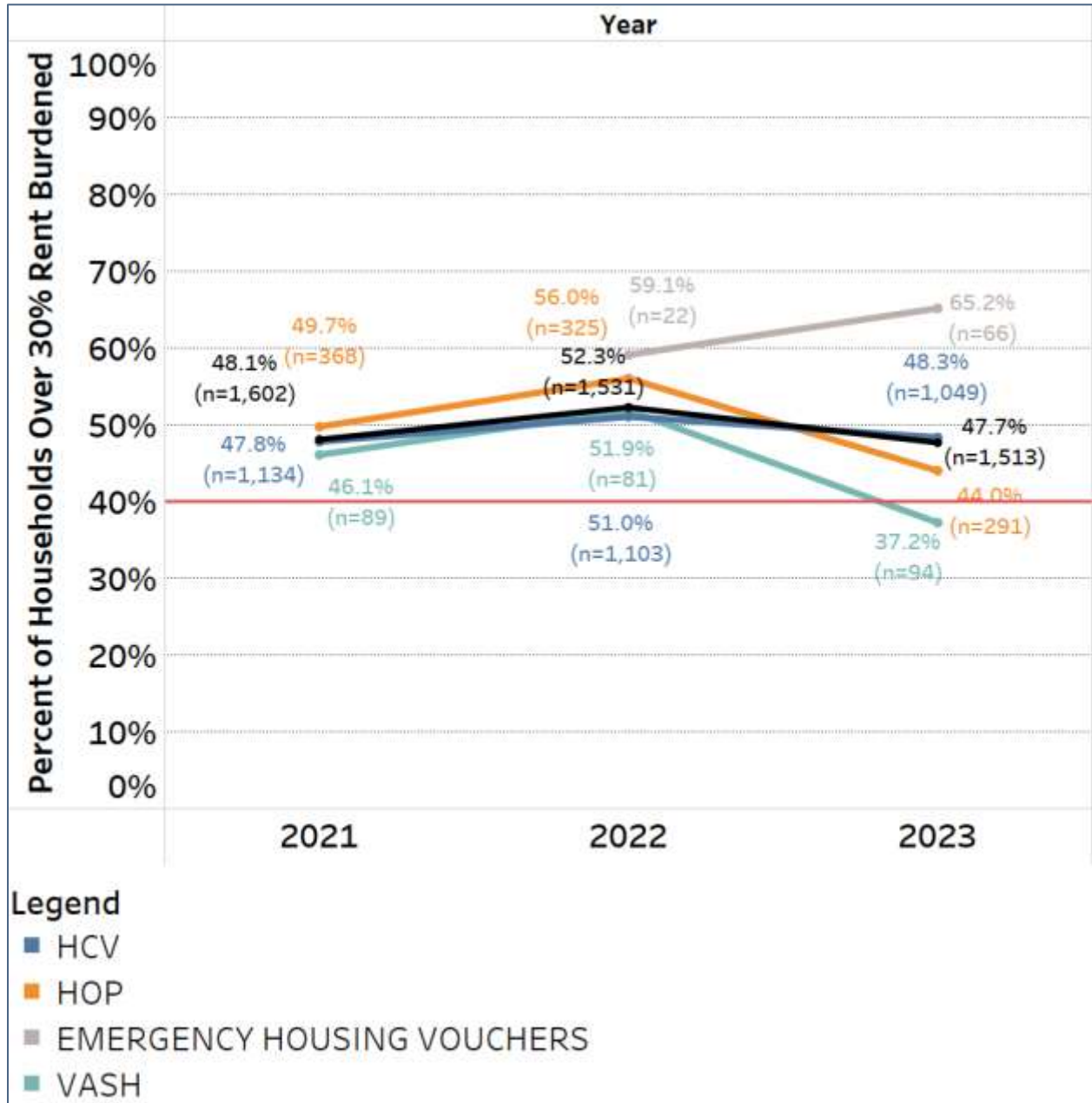
Takeaway: The majority of tenant-based voucher households are facing decreasing rent burden except for households with Emergency Housing Vouchers.

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 of the rent payment. When 40% or more of the 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.

- **March 2022** – 51.0% of traditional Housing Choice Voucher households (HCVs) and 56.0% of Housing Opportunity Program (HOP) households were paying more than 30% of their income toward rent.
- **March 2023** – 48.3% of traditional HCVs and 44.0% of HOP households were paying more than 30% of their income toward rent [Figure 1].

Figure 1. Percentage of Tenant Based Voucher Households Over 30% Rent Burdened by Program, 2021-2023.

Percentage of households over 30% rent burden disaggregated by program and combined (black line), showing annual average taken in March of each year from 2021-2023. Rent Burden calculations remove households renting units with bedrooms larger than their calculated voucher size. In 2023, 65.2% of the households served in the Emergency Housing Vouchers (EHV) program were rent burdened, representing an increase from 59.1% in 2022, while overall Tenant Based Voucher Households (HOP and HCV) experienced decreases from 2022 to 2023.



The average rent burden in March 2023 was 46.2% and 38.9% for HCV and HOP, respectively [Figure 2a]. Overall, households face a less steep rent burden than in 2022. Conversely, Emergency Housing Voucher households had an average rent burden of 50.9% in 2023, up from 40.5% in 2022. Combining all TBV programs, the average 2023 rent burden was 44.0%, an increase from 43.2% in 2022. Figure 2b represents population rent burden as median rather than average, with lower rent burden likely due to severely rent burdened households influencing averages (right tailed distribution). **This may indicate that the median may be a preferable summary statistic for metrics with similar right-skewing.**

Figure 2a. Average Tenant Based Voucher Household Rent Burden by Program, 2021-2023. Rent burden calculated by family share of rent as a fraction of adjusted income. Disaggregated by program and combined (black line), showing annual averages taken in March of each year from 2021-2023.

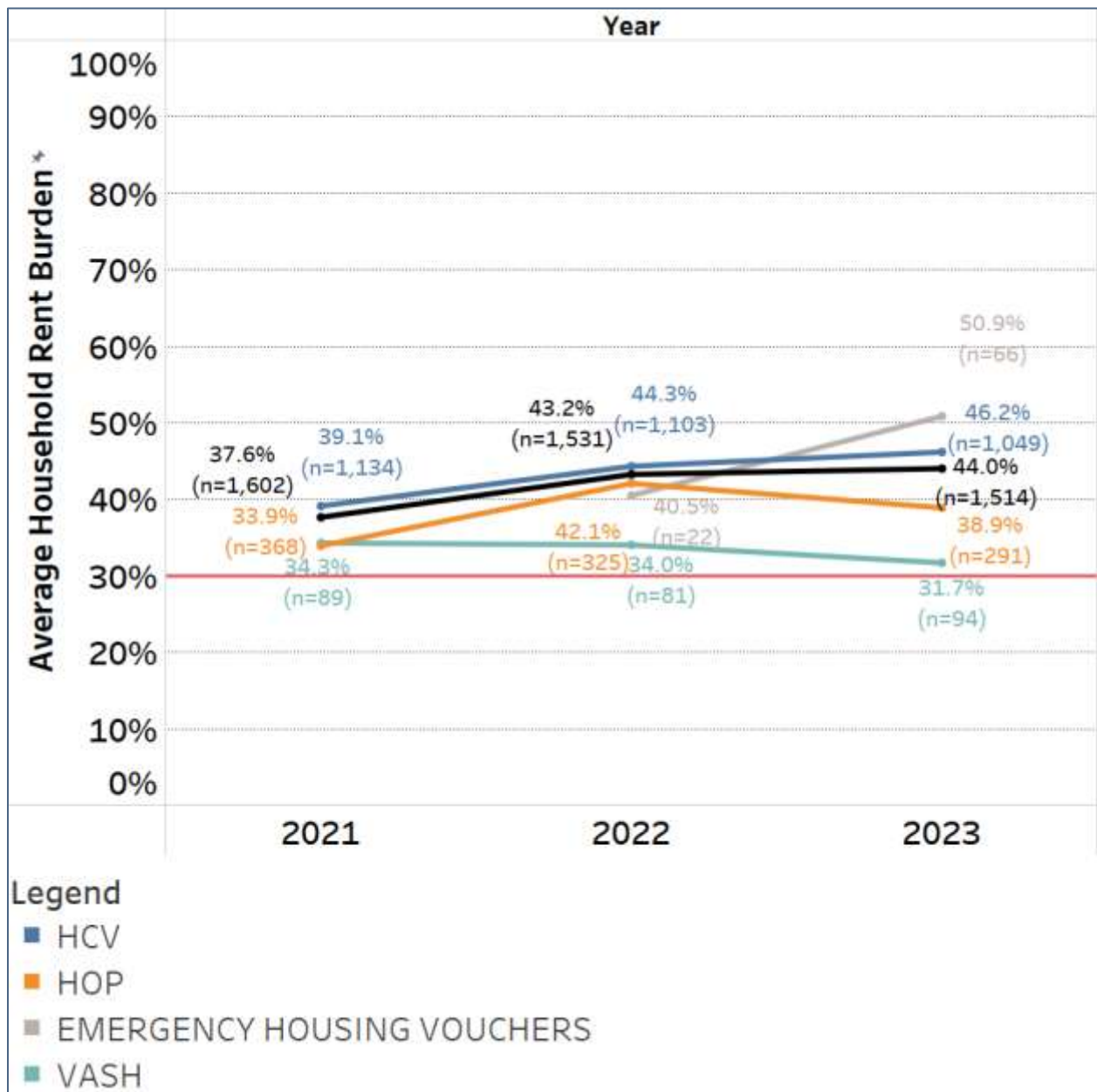
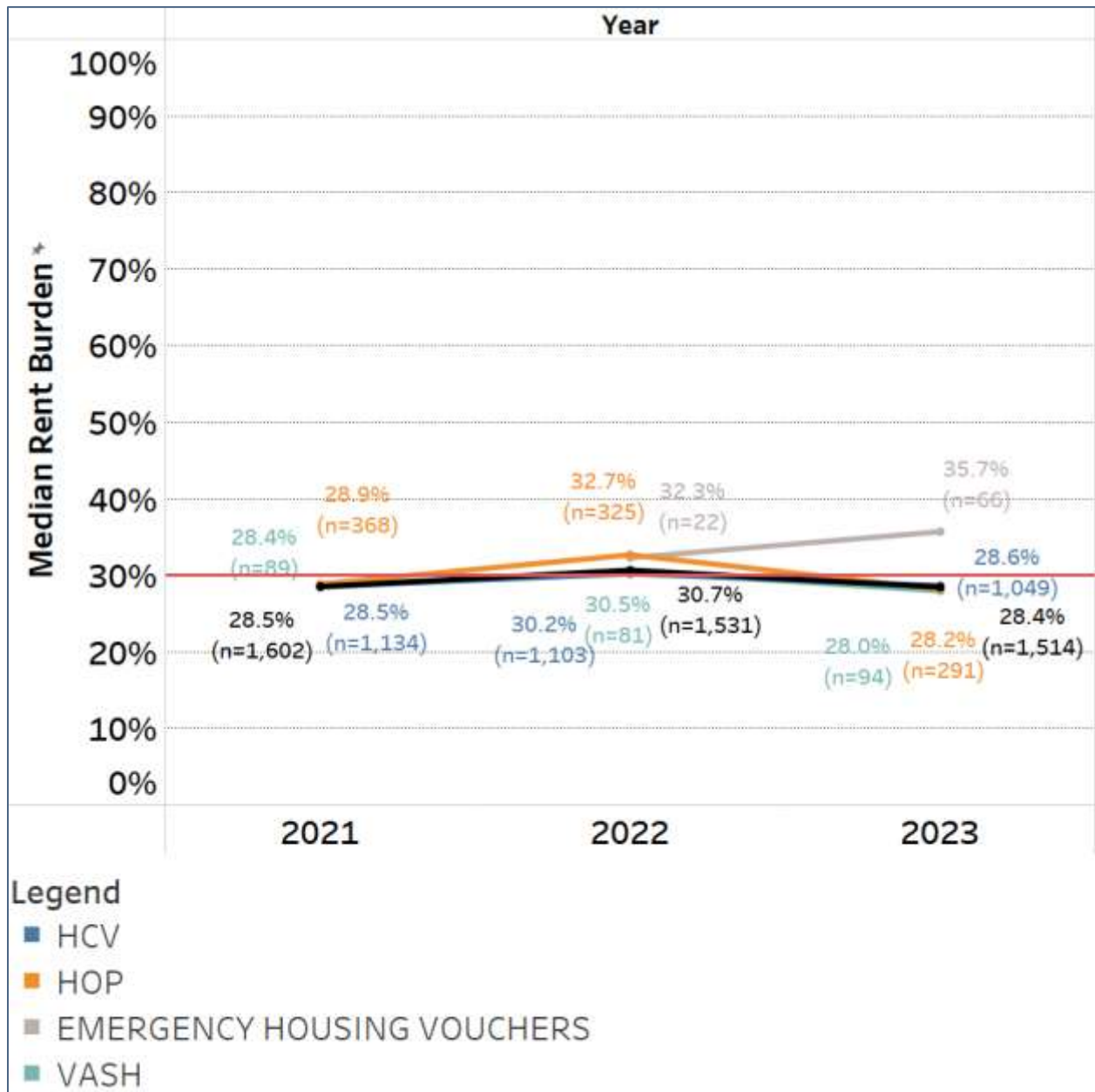


Figure 2b. Median Tenant Based Voucher Household Rent Burden by Program, 2021-2023.

Rent burden calculated by family share of rent as a fraction of adjusted income. Disaggregated by program and combined (black line), showing annual median taken in March of each year from 2021-2023.



Segmenting the percent of households over 30% rent burdened by number of bedrooms in March 2023, it appears every unit size (black bars) for combined total TBVs surpassed the 40% threshold [Figure 3]. There is variation in these proportions across unit sizes and by programs, with the highest proportion of households over 30% rent burdened seen in 1-bedroom households with an Emergency Housing Voucher. We expect HOP rent burdens to drop as HOP participants continue to transition to an HCV subsidy over the course of this year.

Figure 3. Percent of Households over 30% Rent Burdened by Program and Bedrooms, 2023.

Percentage of households over 30% rent burden by program and number of bedrooms.

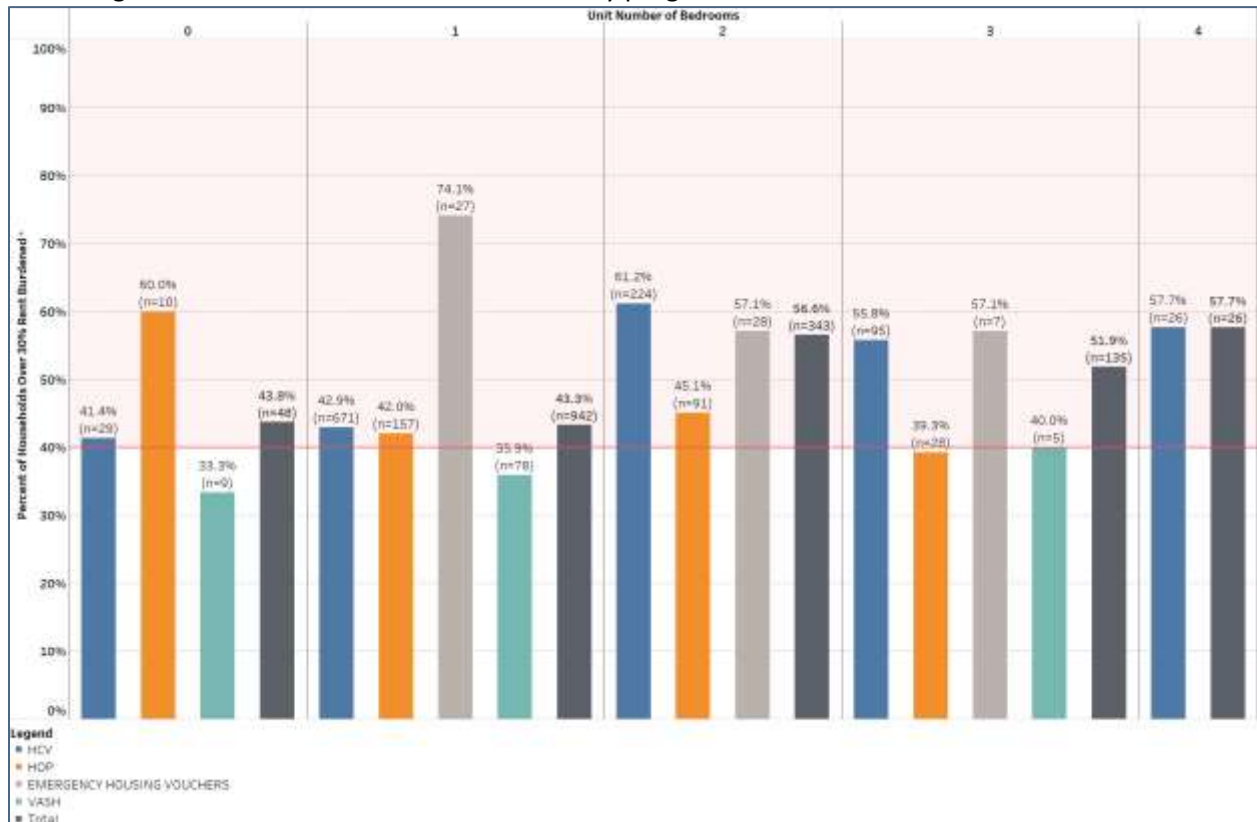


Figure 4. Percent of Households over 30% Rent Burdened by Number of Bedrooms, 2021-2023.

Trend analysis showing the percentage of households over 30% rent burdened by number of bedrooms from 2021-2023.

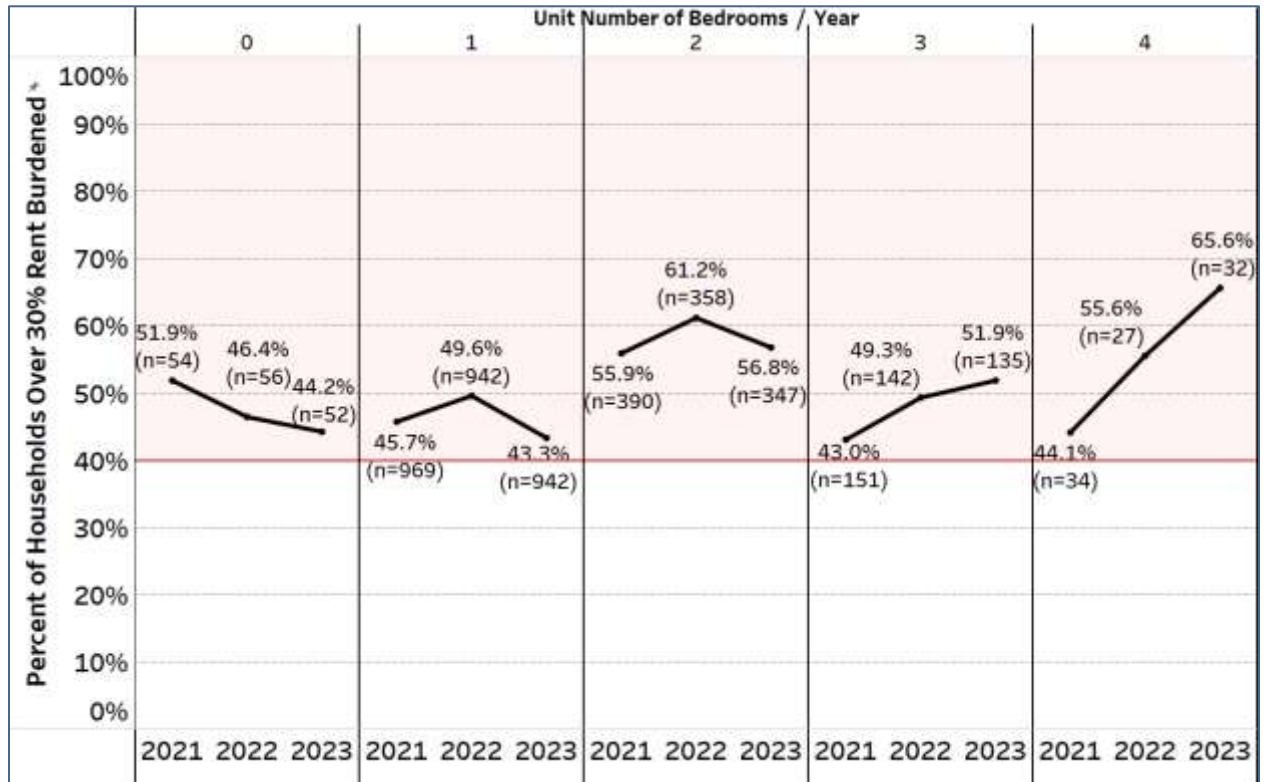


Figure 4 adds in a yearly trend, showing that households with studio through 2-bedrooms experienced decreasing proportions of being over 30% rent burden from 2022 to 2023, while households in 3- and 4-bedroom apartments saw increases from 2022 to 2023. The steepest increases 2022 to 2023 appear to be for households in 4-bedroom units.

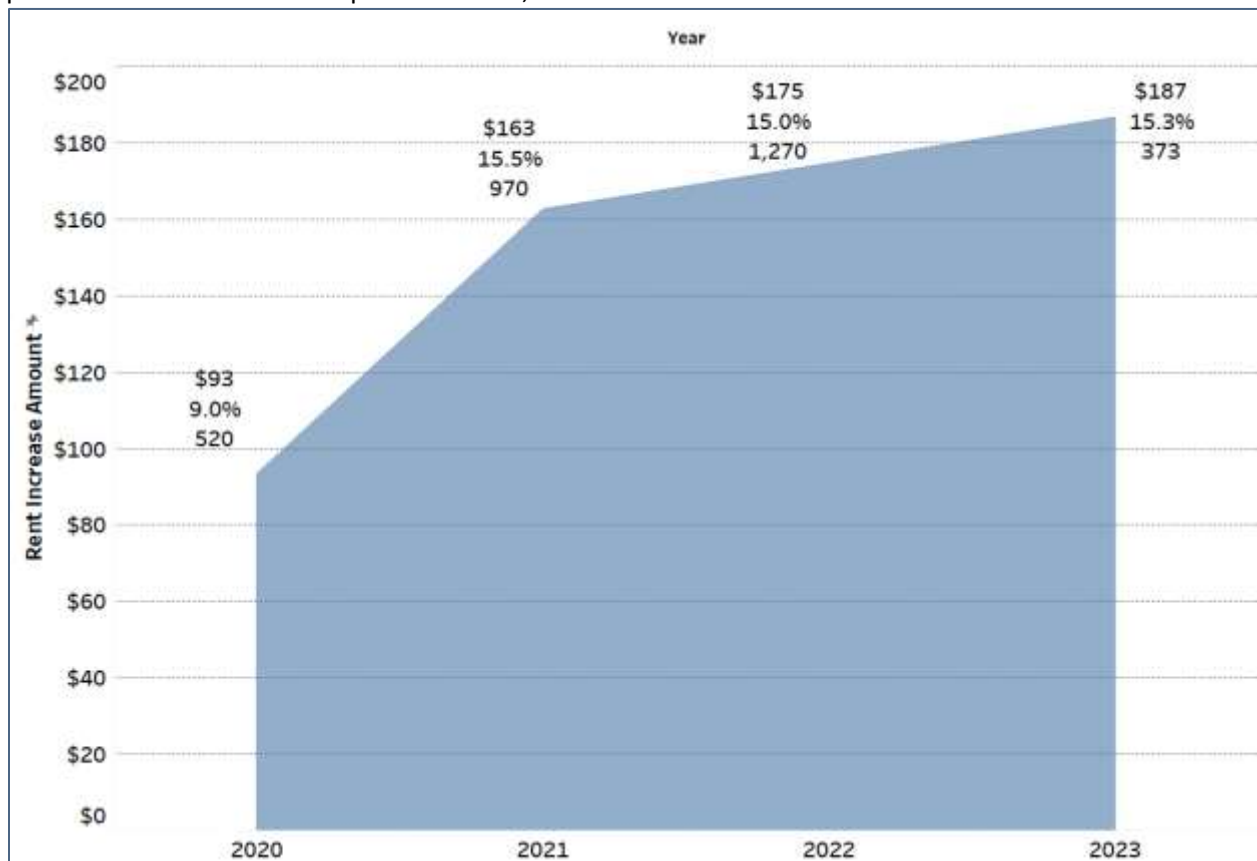
Section 2 Rent Increases Processed

Takeaway: Interim rent increases increased at nearly the same levels as last year, which were already significantly higher than previous years.

As of March 2023, staff have processed 373 interim certification rent increase requests since the start of the year, with an overall average percentage increase of 15.3% (\$187) from previous contract rents. By comparison, in the entire year of 2022, staff processed 1,270 rent increase requests with an average 15.0% (\$175) of previous contract rents [Figure 5]. The average dollar and percentage increase in 2023 YTD is slightly higher than 2022. On July 1, 2021, the Rent Moratorium lifted in Washington State prompting a large volume of rent increases. Prior in 2020, the averages were considerably lower.

Figure 5. Rent Increases Processed 2020-2023 YTD.

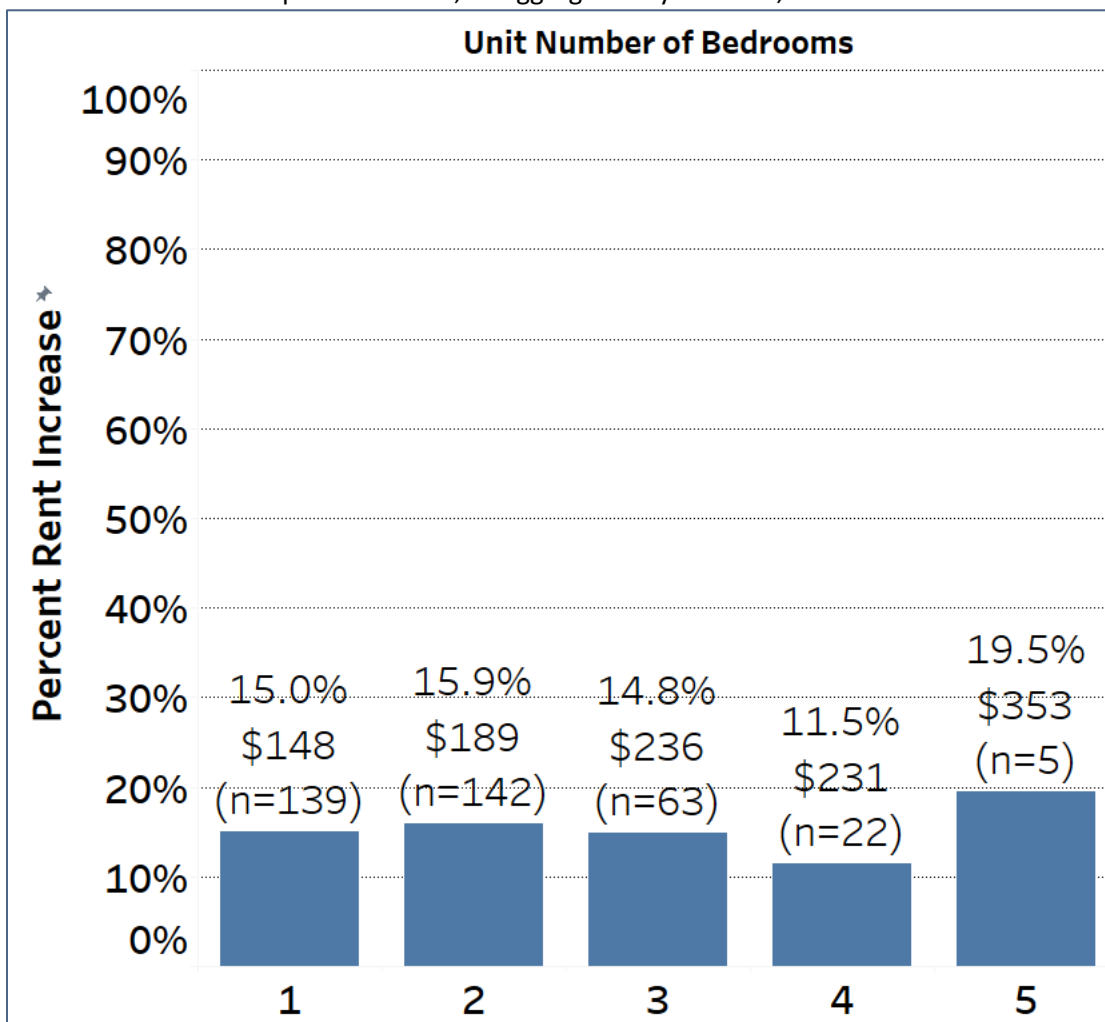
Based upon interim certification records for new contract rents \$1 or greater when compared to the previous certification record per household, 2020-2023 YTD.



Segmenting 2023 YTD rent increase data by number of bedrooms, the largest percent interim rent increase was seen for 5-bedroom units (19.5%, \$353, n=5), followed by 1 to 3-bedroom units, all approximately 15-16%. It should be noted that the n is relatively small for 5-bedroom interim rent adjustment at just 5 households. 4-bedroom units had somewhat lower rent increases of 11.5% (\$231, n=22). Studio units not shown due to n<5. [Figure 6].

Figure 6. Rent Increases Processed by Number of Bedrooms, 2023 YTD.

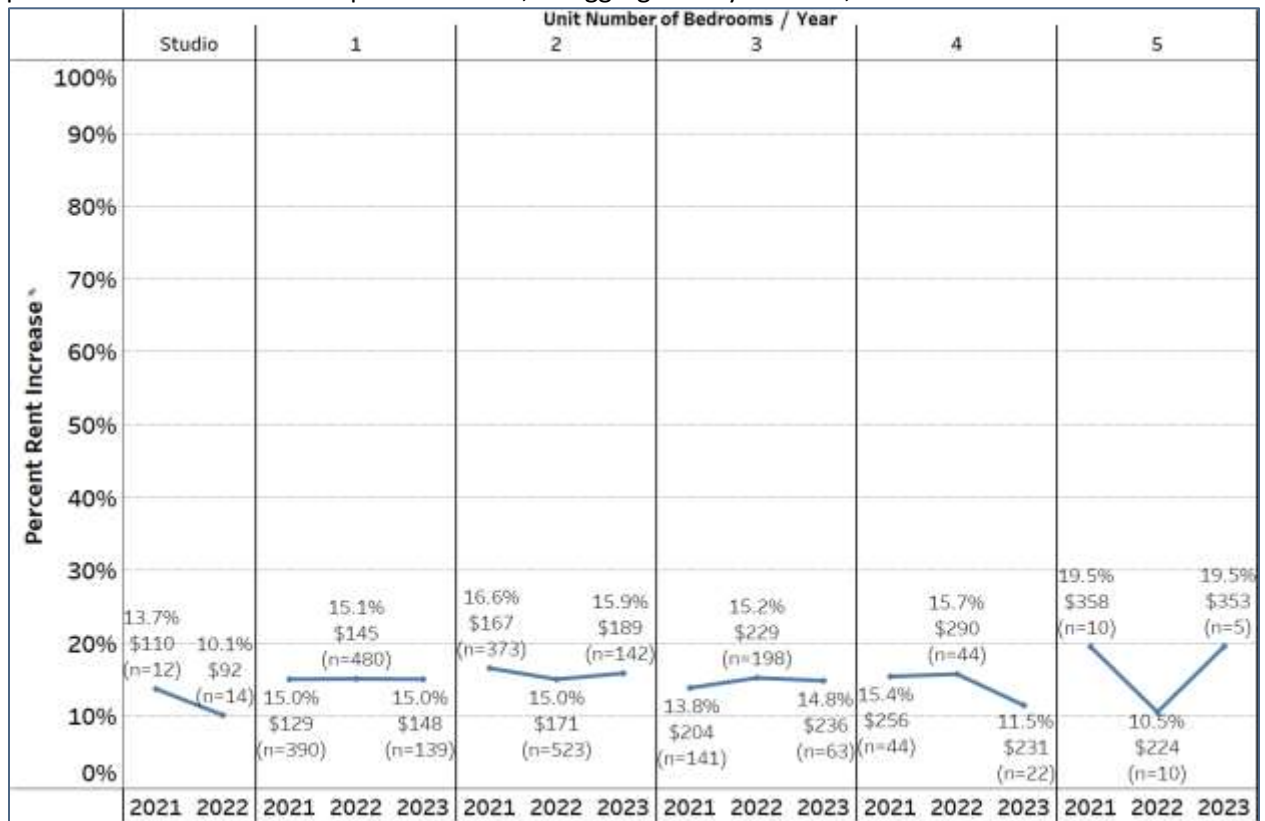
Based upon interim certification records for new contract rents \$1 or greater when compared to the previous certification record per household, disaggregated by unit size, 2023 YTD.



Placing rent increase data by unit size in historic context, we can see 2- and 5-bedroom units experienced the largest percentage interim contract rent increases from 2022-2023 compared to the previous 2021 to 2022 interval [Figure 7]. The largest decreases comparing to the previous year were seen with 4-bedroom units, while 1 to 3- bedroom units were fairly stable from 2022 to 2023. It is important to note that a stable rate indicates increases which were maintained, not decreased. In Section 5, average contract rent trends by unit size are examined, showing overall contract rents increasing across all unit sizes.

Figure 7. Interim Certification Rent Increases by Number of Bedrooms, 20201-2023 YTD.

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, 2021-2023 YTD.



Section 3 Housing Success Rate and Shopping Days

Takeaway: Rates of housing success appear to have decreased from 2021 to 2022, however average shopping days among households which were successful leasing up decreased from 2021 to 2022.

Figure 8. Housing Success Rate, 2019-2022 YTD.

The overall housing success rate for 2022 is not complete, with 13.6% households still shopping, yet even if all current shoppers become successful (maximum of 60.5%), the 2022 success rate would still be lower than the 65.3% success rate of 2021. In 2021, shopping success appeared to decrease to 65.3% from a higher 2020 rate of 71.0%. As of March 2023, 46.9% of households that were issued vouchers in 2022 have found housing and 39.5% were unsuccessful. We expected the 2022 housing success rate to be less than 2021 as it was trending down when we increased the payment standards at the end of the year. The impact of the payment standards adjustments on January 1, 2023 will take time to reflect in this data.

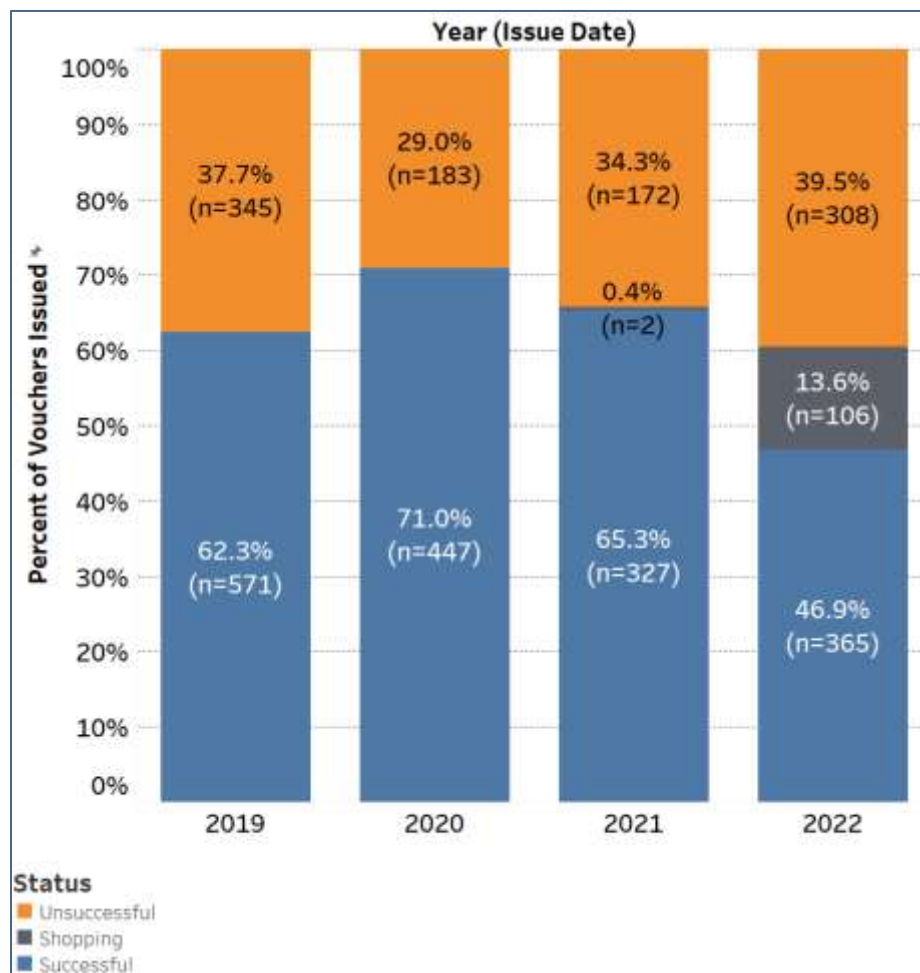


Figure 9. Successful Shopping Rate by Voucher Size, 2019-2022.

Successful shopping rates appear to vary by year and voucher size. While 2022 shopping success data is not entirely complete, we can still note decreases in shopping success across all unit sizes from 2021 to 2022. Interestingly, 4-bedroom unit success decreased most notably from a high of 100% (n=8) in 2021 to a current 45.5% in 2022. Other unit size decreases were not as extreme.

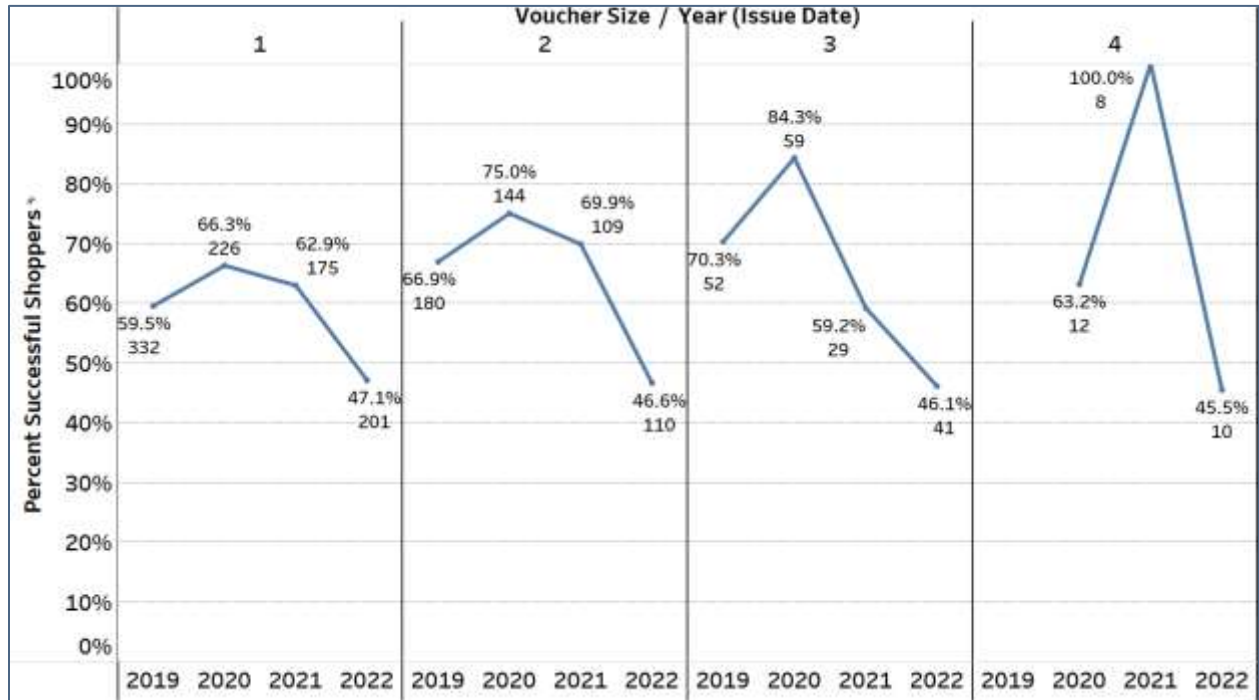


Figure 10. Median and Average Shopping Days Among Successful Shoppers, 2019-2022 YTD

As of March 2023, the median (and average) number of shopping days among households issued vouchers in 2022 that were successful in finding market units appeared to decrease to a median of 52.0 days from 60.0 days (average of 68.3 days from 86.3 days) in 2021 [Figure 10]. Due to many households experiencing long lease up times, we present the median time to success in, with overall magnitude of days to success markedly lower than the averages. Similar to average rent burden, median may be a more accurate statistic to use in instances with right-tailed distributions.

The 2022 shopping day statistics may eventually change as remaining shoppers successfully lease up, depending on the interval of time elapsed since voucher issue date. 2021 had the highest average and median shopping days in recent years. We hope that investments in Housing Navigation supports help us sustain this decrease.

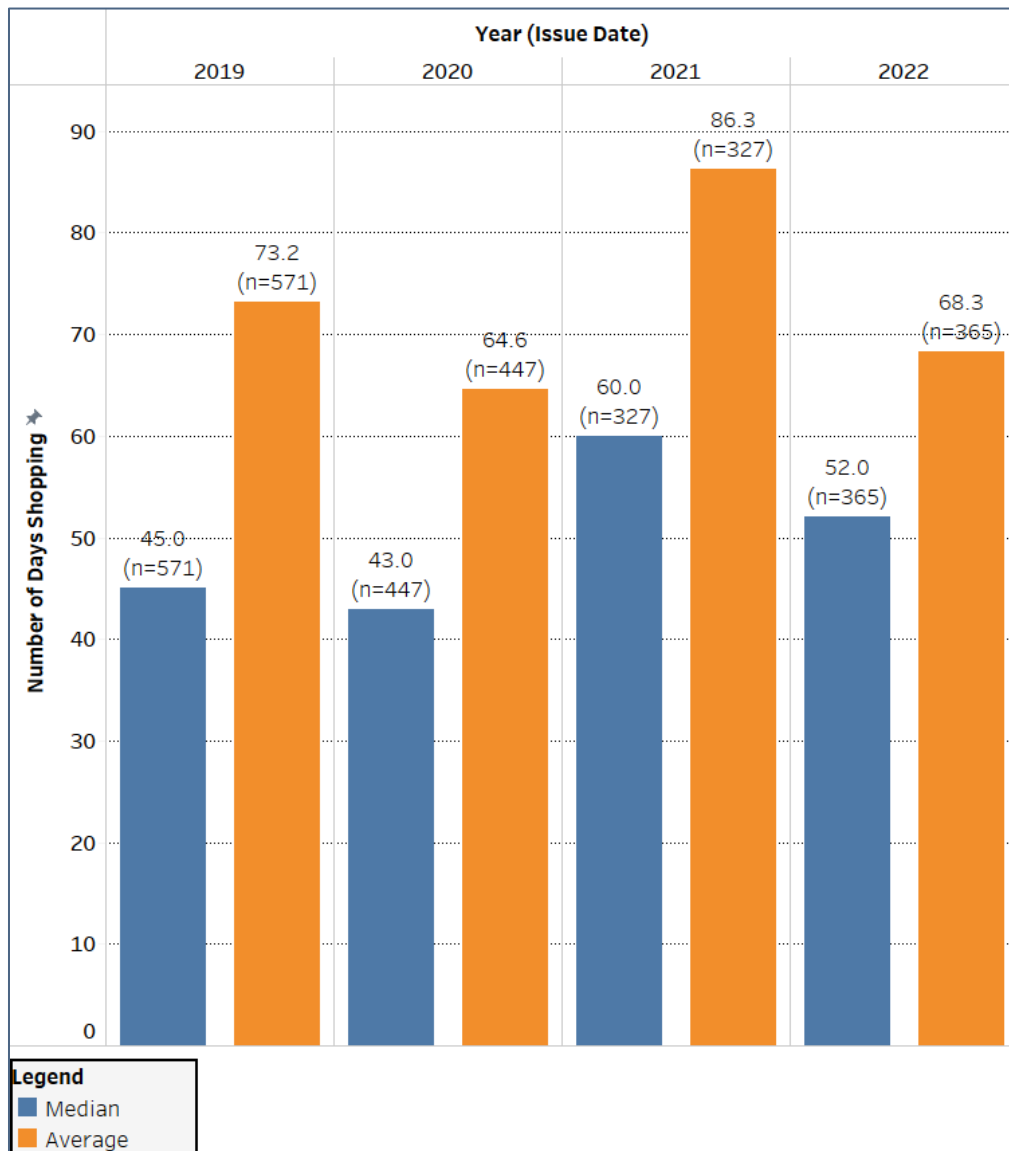
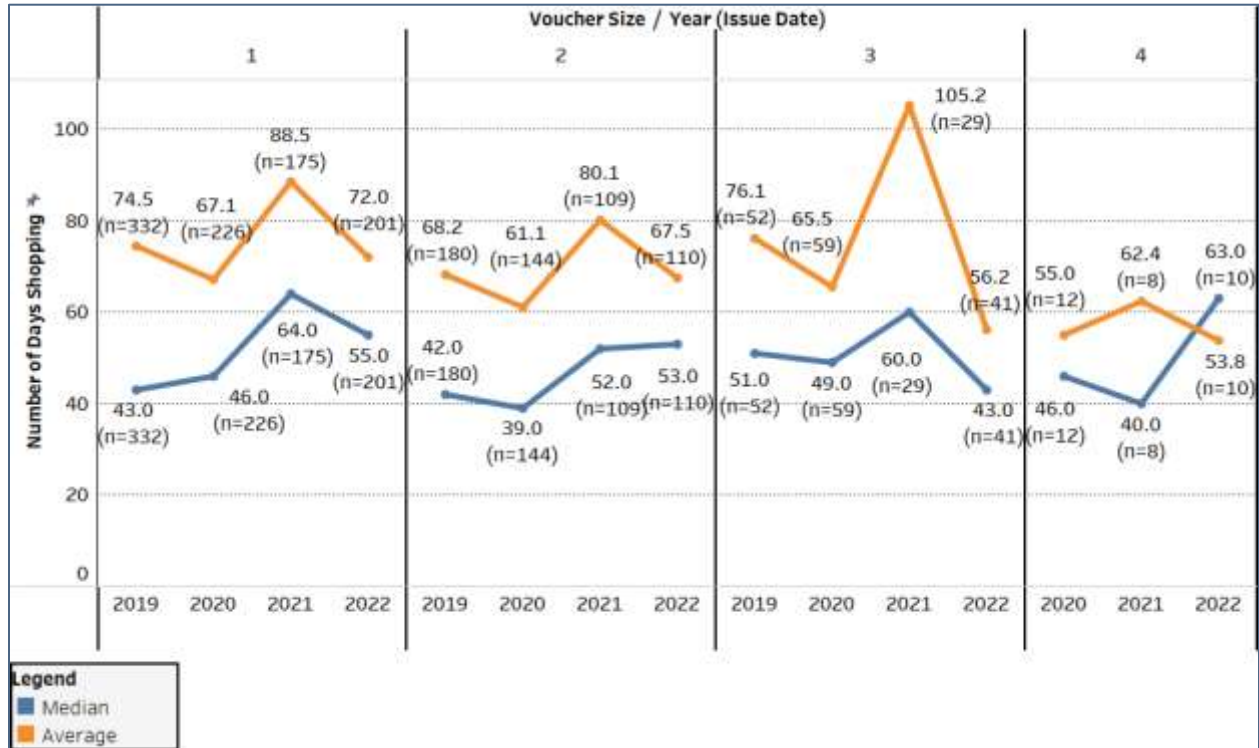


Figure 11. Median and Average Shopping Days Among Successful Shoppers by Voucher Size, 2019-2022 YTD

Median (and average) shopping days among nearly all households who were successful in 2022 thus far appear to be decreasing compared with 2021 rates, with steepest declines seen with 3-bedroom vouchers. It should be noted that 2022 rates are not complete, and these rates may change since they are comprised of the 46.9% successful population seen in Figure 8.



Section 4 Average Market Rent and Vacancy Rates

Takeaway: Market rents decreased slightly while vacancy rates increased across most regions and unit sizes since 2022.

Lower vacancy rates and higher rents make it difficult for clients to compete for units on the rental market. This analysis observed the opposite trend starting to occur, with slightly decreasing market rents and increasing vacancy rates. THA responds to this reality by increasing the payment standards, helping households compete for units with less out of pocket expenses.

Beginning in 2022, THA 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 12].

Figure 12. 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>.

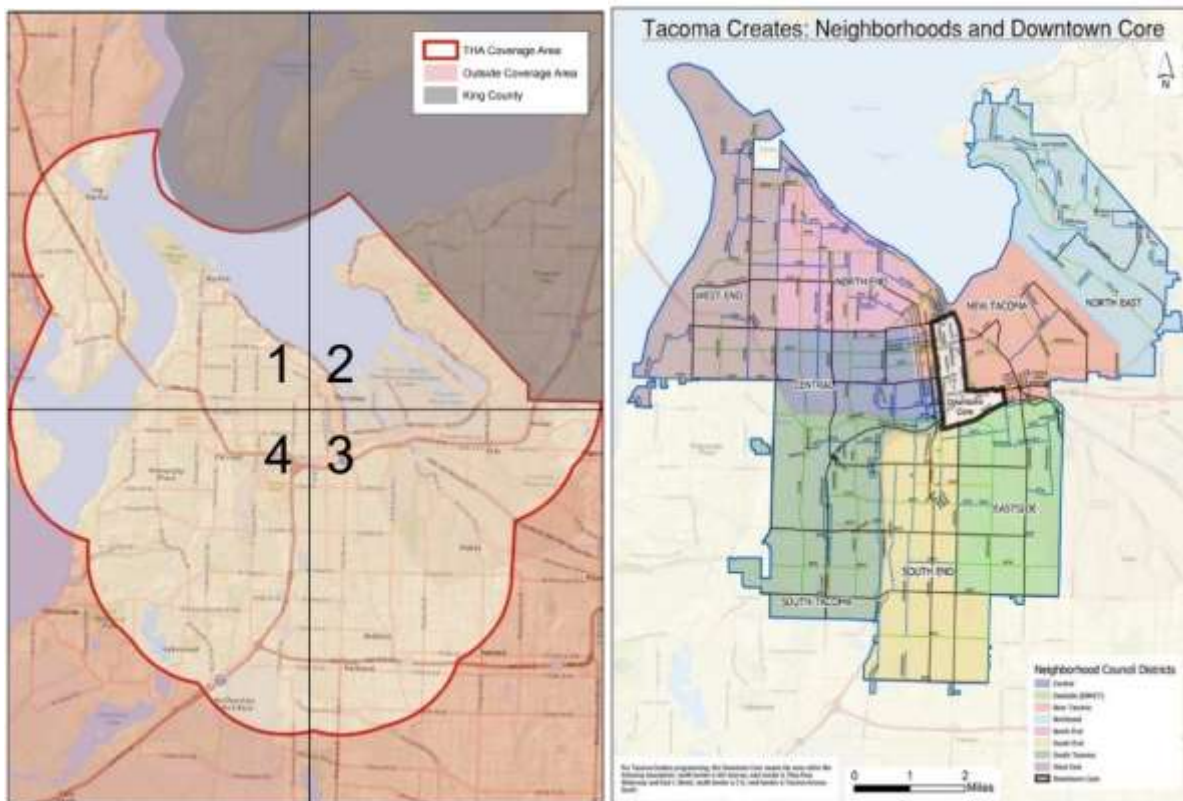


Table 1. 2023 YTD average Market Rent and Vacancy Rates by Tacoma Neighborhoods.

Effective market rent includes concessions made between tenant and landlord. Rents displayed are averaged over the year by CoStar methodology.¹

Measure- 2023 YTD	Region/ Neighborhood										
	THA Jurisdiction	Pierce County	North East Tacoma	Downtown	New Tacoma	West End	South Tacoma	North End	Eastside	South End	Central Tacoma
Average Yearly Effective Rent 2023 YTD (\$)	\$1,516	\$1,551	\$1,990	\$1,595	\$1,631	\$1,643	\$1,395	\$1,426	\$1,258	\$1,094	\$1,073
% Chg from Fall 2022 PSA	-1.2%	-1.0%	-3.2%	-5.6%	-1.9%	-1.2%	-3.9%	-1.4%	7.3%	1.0%	1.6%
Vacancy Rate (%) Average 2023 YTD	6.4%	6.6%	5.7%	13.3%	17.2%	5.3%	6.1%	6.6%	5.9%	4.1%	6.8%
% Chg from Fall 2022 PSA	51.7%	42.8%	-23.5%	54.5%	117.2%	14.7%	53.0%	61.4%	-7.8%	57.5%	90.1%
Vacant Units	2,854	4,235	39	345	646	192	235	191	61	53	180
% Chg from Fall 2022 PSA	56.5%	46.7%	-23.5%	73.4%	152.3%	13.6%	57.7%	64.7%	-6.2%	55.9%	106.9%
Total Units (N)	47,690	69,245	757	3,012	4,346	4,361	4,157	3,044	1,070	1,392	2,623
% Chg from Fall 2022 PSA	2.9%	4.5%	0.0%	4.9%	9.7%	-2.4%	8.8%	2.4%	0.8%	0.2%	7.4%
Existing Buildings	1,420	2,144	27	57	65	73	136	216	62	87	154
% Chg from Fall 2022 PSA	1.1%	1.9%	0.0%	3.6%	3.2%	0.0%	1.5%	1.4%	0.0%	2.4%	2.7%

THA’s jurisdiction average rental amounts and vacancy rates in 2023 YTD are shown as compared to surrounding Pierce County and Tacoma Area Neighborhoods in Table 1. Average market rents and vacancy rates are depicted visually in Figure 13. THA’s jurisdiction market rents averaged \$1,516 in 2023 YTD (all unit sizes combined; a 1.2% decrease since 2022), \$1,551 (1.0% decrease since 2022) in Pierce County, and a range of \$1,990 (North East Tacoma, maximum) to \$1,073 (Central Tacoma, minimum). Total Units (N) and Existing Buildings are also shown in Table 1. Beneath each measure in Table 1 can be seen the % change from 2022 average figures, with color formatting framing the changes visually (blue only indicating increase, orange decrease; darker blues= nearer max of increase range; no color = 0% change; darker orange = nearer maximum of decrease range). Overall rents appear to be decreasing slightly across the region while vacancy rates have increased from 2022 to 2023 YTD [see Figures 14-16].

¹ Vacancy Rates and units may be elevated due to recent construction and renovation events. These numbers represent units that are already available to lease however, this component may be interpreted with caution given the recent increases in construction in many of these areas.

Figure 13. Average Market Rent and Vacancy Rate by Region/Neighborhood, 2023 YTD.

Effective market rent includes concessions made between tenant and landlord. Rents displayed are average over the year by CoStar methodology. Market rent averages are shown in blue (axis on left) and vacancy rates in orange (right).

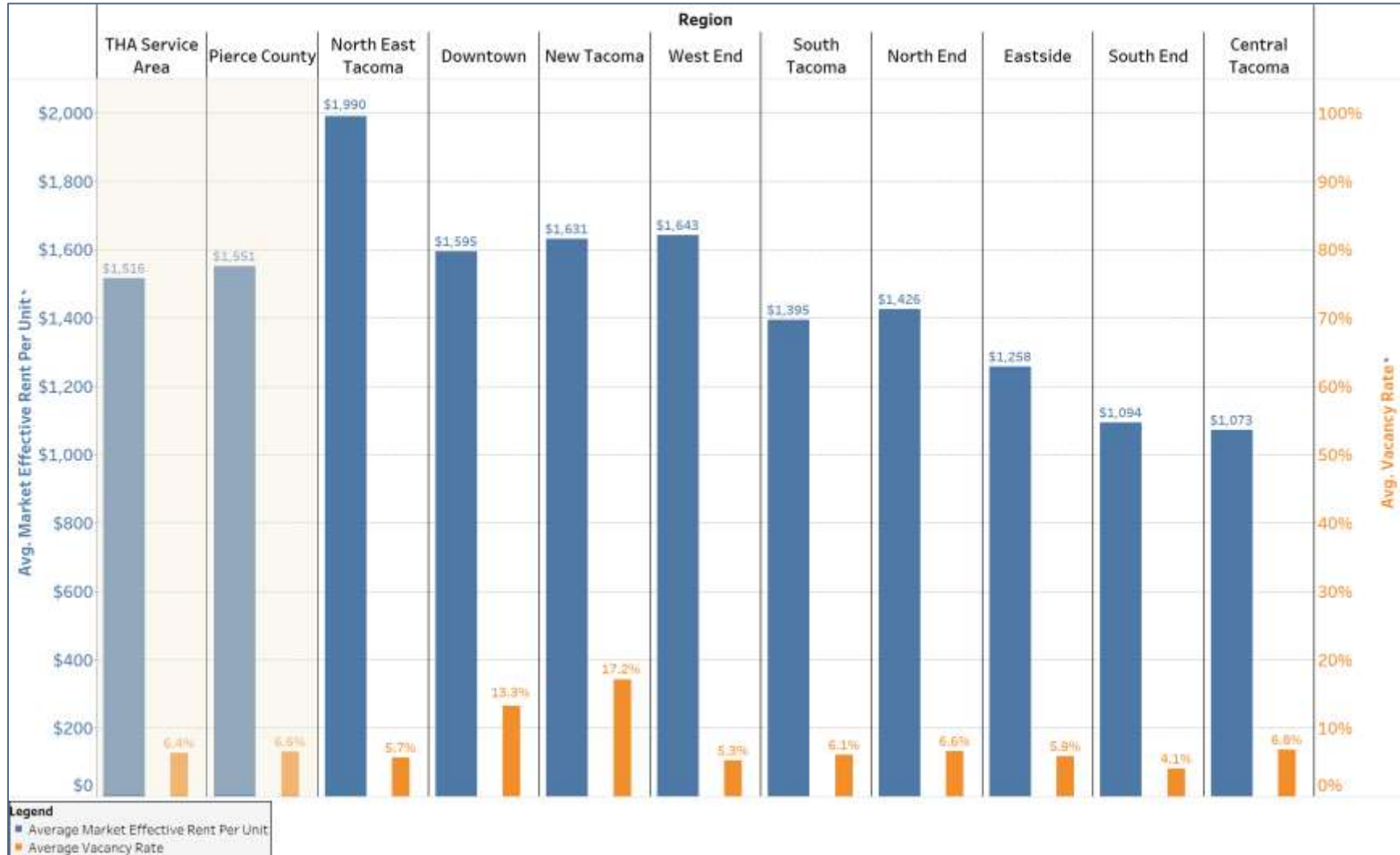


Figure 14 compares these same regions' market rate to each other over time, beginning with 2019 and ending with a forecast on an average yearly basis through 2025. Market rents appear to have leveled off from steep increases from 2021 to 2022 and are expected to remain level followed by gradual increases across all regions. Differences in affordability appear to remain fairly constant (distance between trend lines in Figure 14).

Figure 14. Market Rent by Region/Neighborhood, 2019-2025 EST.

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 2023 EST-2025 EST includes projections. Data points are labeled for 2023 YTD (actual) and 2025 (estimates).

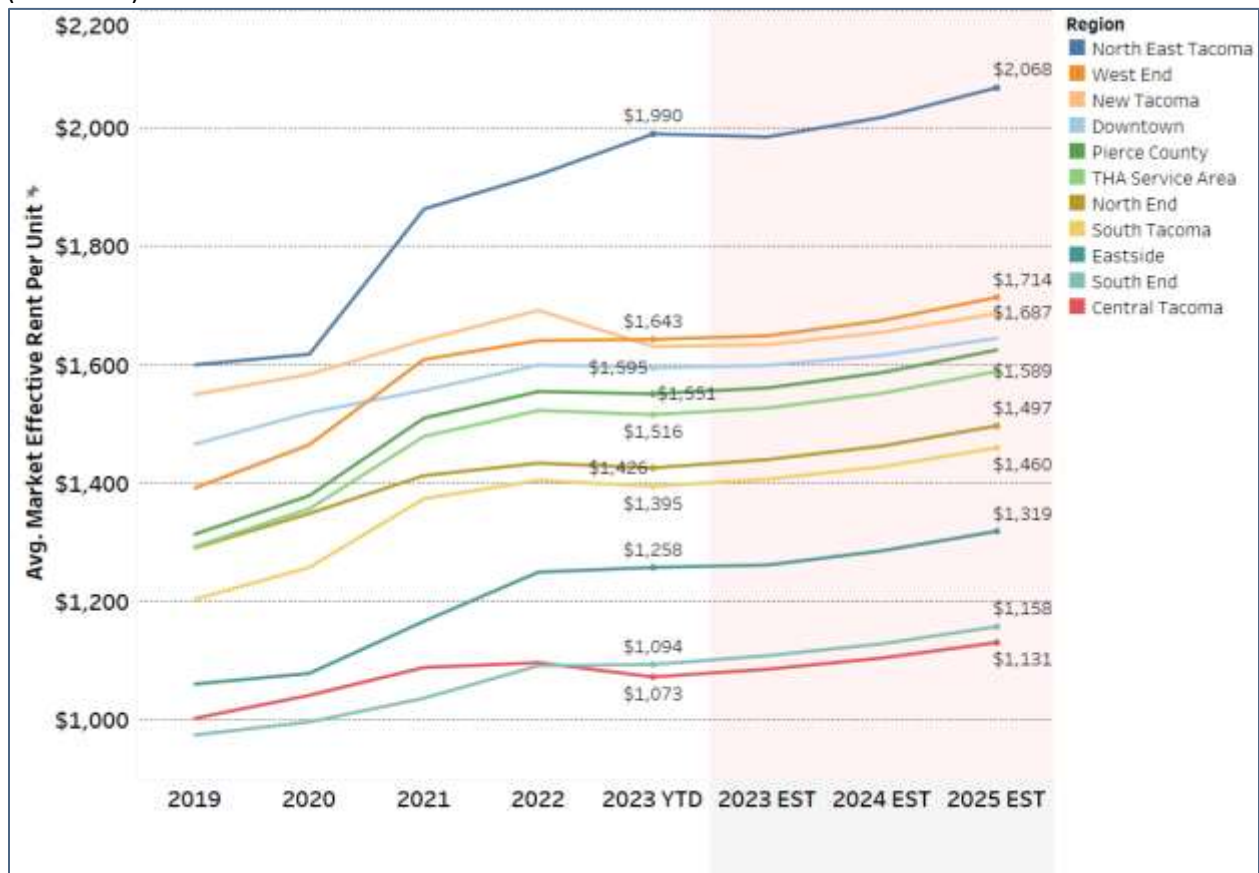


Table 2 features a breakdown of average 2023 YTD market rents within the THA Service Area by number of bedrooms, for studios through 3-bedroom apartments.² THA’s jurisdiction market rents averaged \$1,516 in 2023 YTD (combined), with weighted contributions from studio apartments (\$1,169) to 3-bedroom units (\$2,093) [Table 2 and Figure 15]. % Change statistics are also shown in the bottom row of Table 2, with only studio units seeing increases since last 2022 PSA. Market rents are expected to remain level and then gradually increase across all bedroom sizes through 2025 [Figure 15].

Table 2. 2023 YTD Average Market 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 number of bedrooms per unit.

THA's Jurisdiction 2023 YTD	Unit Size				
	Combined	Studio	1	2	3
Average Yearly Effective Rent 2023 YTD (\$)	\$1,516	\$1,169	\$1,341	\$1,626	\$2,093
% Chg from Fall 2022 PSA	-1.2%	0.3%	-0.9%	-1.5%	-1.3%

Figure 15. Market Rent by Unit Size, THA Service Region, 2019-2025.

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 2023 EST-2025 EST includes projections. Data labels for the THA Service Region are depicted from 2019-2023 YTD (actual) and 2023 EST- 2025 EST (projections).



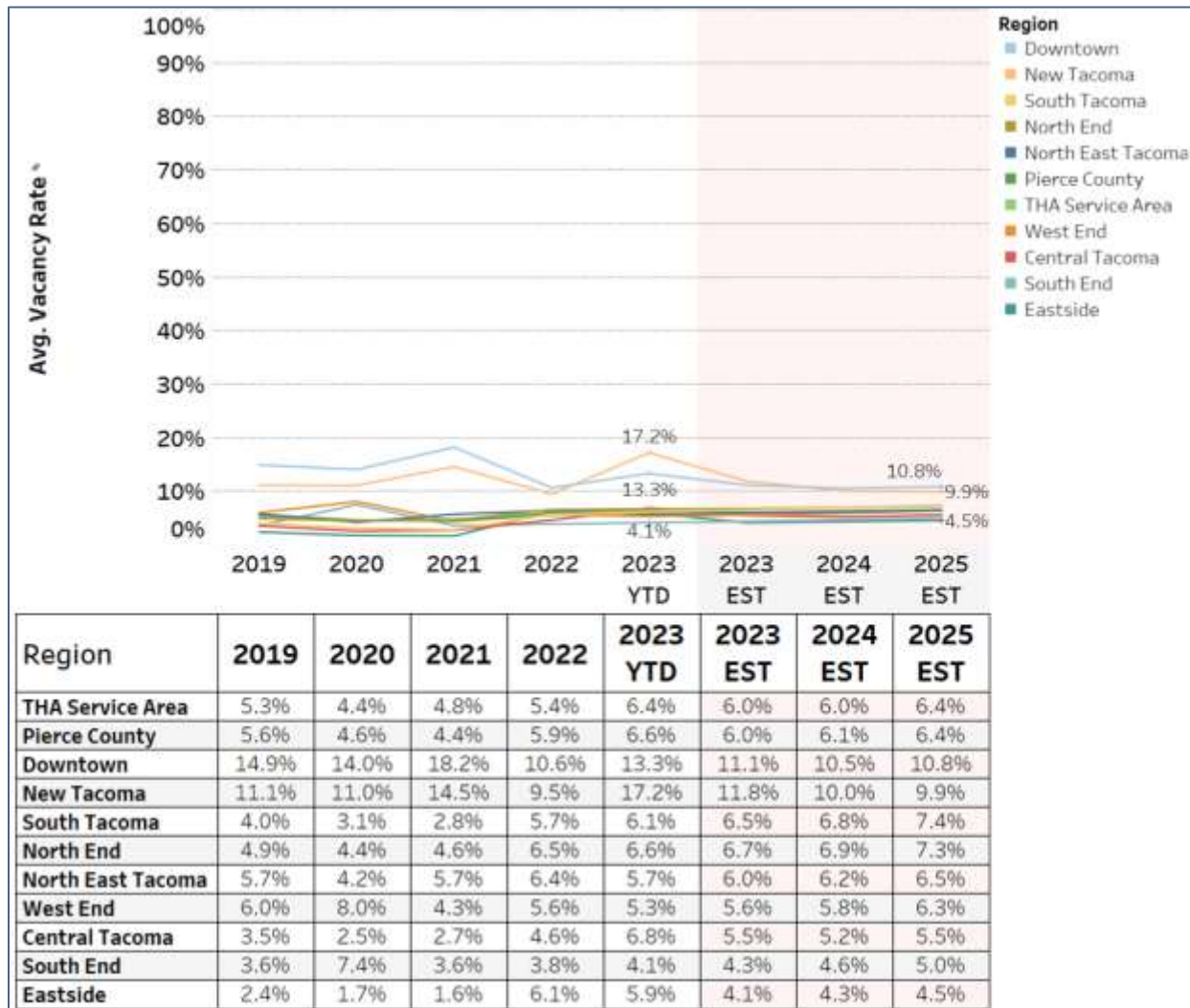
² Since CoStar does not currently feature a single-family dwelling rental property database, and the majority of THA TBV 4+ bedroom units occur in single family dwellings [Figure 11], the representation of CoStar data at the 4+ bedroom category is limited and has been removed from comparison.

Vacancy Rates: As shown in Table 1 and Figure 16, THA’s jurisdiction average annual vacancy rates are compared to surrounding Pierce County and Tacoma Area Neighborhoods. The THA Service Area vacancy rates averaged 6.4% in 2023 YTD (51.7% increase from 2022 PSA), 6.6% in Pierce County (42.8% increase), with a range of 17.2% (Downtown Tacoma, maximum; 117.2% increase) to 4.1% (South End, minimum; 57.5% increase). Total Units (N) and Existing Buildings are also shown in Table 1.

Figure 16 compares these same regions or neighborhoods to each other over time, beginning with 2019 and ending with 2025 vacancy projections. Current vacancy rates seem to group together across most regions (Central, South, North End). Average vacancy rates of New Tacoma and Downtown tend to remain the highest in the region, with a maximum 17.2% average vacancy rate in New Tacoma in 2023 YTD. Some of these higher rates may be due to newly renovated or constructed structures (as per CoStar data).

Figure 16. Average Vacancy Rates by Region, 2019-2025 EST.

Vacancy rates may be both a function of existing market inventory and newly constructed or renovated units which may be unoccupied. As the featured vacancy rates by neighborhood are averaged per year, this comparison may reflect new construction and/or building renovation as can be seen in the elevated rates in New Tacoma and Downtown.



Section 5 Comparison of Current Payment Standards with Tacoma Average Rents

Take-Away: Payment Standards increased at a much faster rate than average market rents from 2022 to 2023, exceeding them.

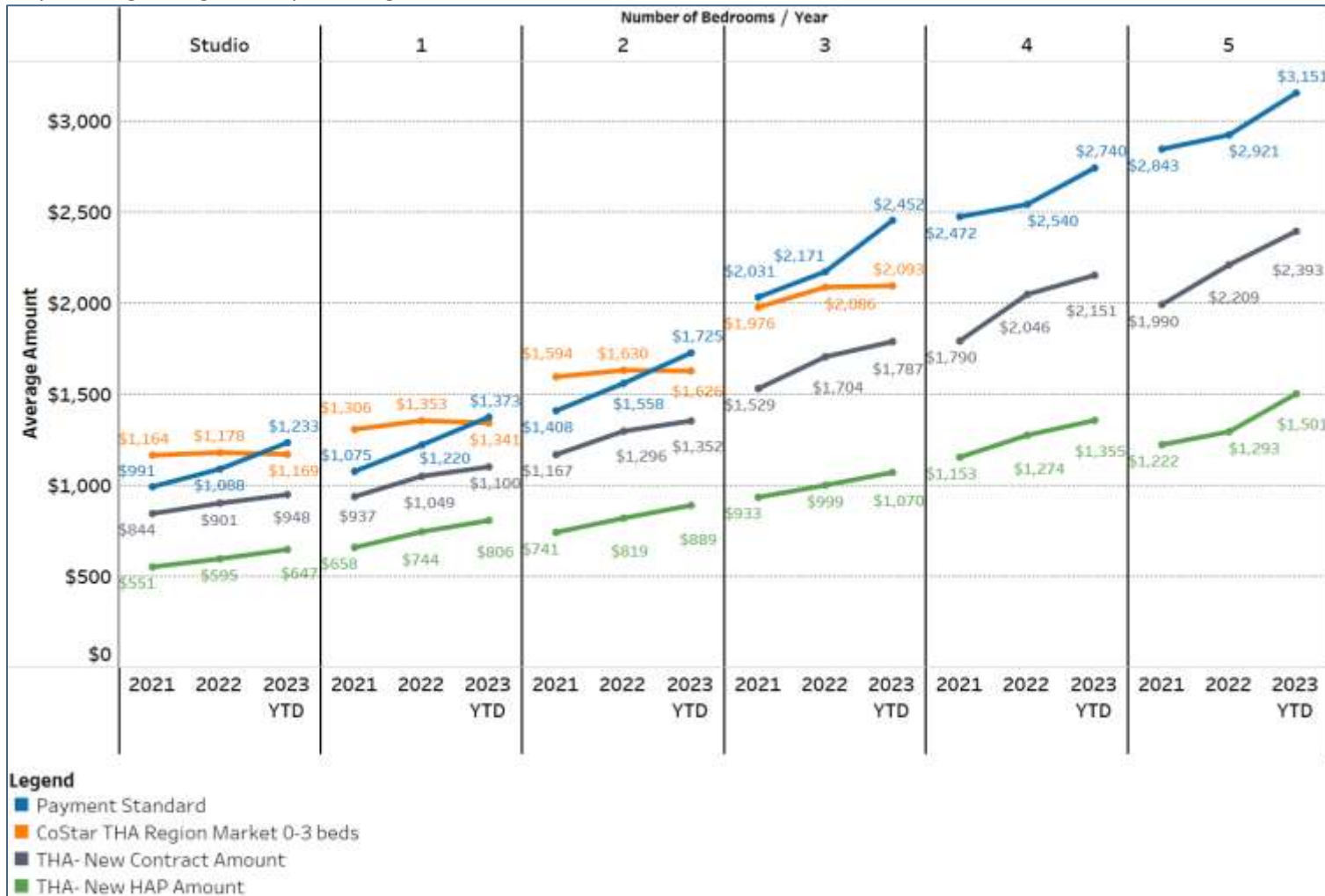
Comparing the current payment standards to market rents in the area provides a metric that can help determine the precision of the HUD FMRs and/or the market rent data used for comparison. This is important in our dynamic market to allow increases that keep pace with real-time asking rents.

As shown in Figure 17, the THA Payment Standards (blue lines) appear to have increased at much faster rates than market rents (orange lines) for studio through three-bedroom units, appearing to exceed market rents. The blue lines appear to have crossed the orange lines, which indicates that payment standards may have increased far more quickly relative to market rent increases. Since THA units may be a sample of the market data, we must also look at average contract rent amounts for the households THA serves to get a full picture view of these trends (Section 1.6 and 1.7).

For 3-bedroom units, the Payment Standard appears to exceed the market rent consistently for the past 3 years. This could be due to database limitations of single-family dwellings for 3+ bedroom units which are not currently captured in CoStar. 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. This is difficult to confirm entirely without having a full market comparison.

Figure 17. Payment Standards, Average THA Service Region Market Rents Compared with THA Household Contract Rents and Housing Assistance Payments, 2020-2023 YTD.

CoStar current limitation is Multi-Family properties, so data does not capture the current market reality for larger numbers of bedrooms 4 and above mainly residing in single-family dwellings.



Section 6 Comparison of THA Contract Rents with Current Payment Standards

Takeaway: Average contract rents are increasing at a slower rate relative to the last Payment Standards analysis in January 2023.

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 2022 and 2023. As compared to the 2023 Payment Standards, average household contract rents are increasing at a relatively slow rate compared with the 2022 to 2023 Payment Standards increase. The largest increase relative to the current payment standards was seen for 5-bedroom units (5.8%) to the smallest increase of 3.3% for 2-bedroom apartments. Visually, this can be seen in Figure 17 above as the slope of the black lines (THA Contract Rents) from 2022 to 2023 compared to the 2023 Payment Standards (furthest right blue datapoints in each pane).

Table 3. Comparison of Current Payment Standards with 2022 and 2023 Tenant Based Voucher Household Average Contract Rent

The color shading in the table below corresponds to the line coloring in Figure 17 (blue = Payment Standards; grey/black = THA Contract Rents)

	Current Payment Standards 2023	Avg Contract Rent 2022	Avg Contract Rent 2023	2023-22 Contract Rent Change as % of 2023 PS
Studio	\$1,233	\$901	\$948	3.8%
1 bedroom	\$1,373	\$1,049	\$1,100	3.7%
2 bedroom	\$1,725	\$1,296	\$1,352	3.3%
3 bedroom	\$2,452	\$1,704	\$1,787	3.4%
4 bedroom	\$2,740	\$2,046	\$2,151	3.8%
5 bedroom	\$3,151	\$2,209	\$2,393	5.8%

Section 7 Comparison of THA Rents with Average Market Rents

Takeaway: Average contract rents and HAP appear to be increasing faster than 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, *2023-2022 % Change*). The fastest relative growth of average contract rents against market rents occurs in studio apartments (4.6%) and slowest growth is 2- and 3-bedroom units in studio units (3.7%).³

Table 4. Comparison of Market Rent Trends with Tenant Based Voucher Household Average Contract Rent, 2022-2023

The color shading in the table below corresponds to the line coloring in Figure 17 (orange = CoStar Market Rents; grey/black = THA Contract Rents)

	THA Jurisdiction Rents 2022 (Market)	Avg Contract Rent 2022	Contract Rent as % of Market Average 2022	THA Jurisdiction Rents 2023 (Market)	Avg Contract Rent 2023	Contract Rent as % of Market Average 2023	2023- 2022 % Change
Studio	\$1,178	\$901	76.5%	\$1,169	\$948	81.1%	4.6%
1 bedroom	\$1,353	\$1,049	77.5%	\$1,341	\$1,100	82.0%	4.5%
2 bedroom	\$1,630	\$1,296	79.5%	\$1,626	\$1,352	83.2%	3.7%
3 bedroom	\$2,086	\$1,704	81.7%	\$2,093	\$1,787	85.4%	3.7%

This variable rate has been visualized in Figure 17, as the decreasing gap between the black lines (THA Contract Rents) and orange lines (market data), broken down by number of bedrooms from 2022 to 2023. Likewise, Figure 17 adds in average Housing Assistance Payments (HAP; green lines) to the visual alongside average contract rents, to visualize comparative changes over time against market rates and payment standards. In general, overall HAP (green lines) increases appear to mirror those of contract rent increases (black lines) from 2022 to 2023.

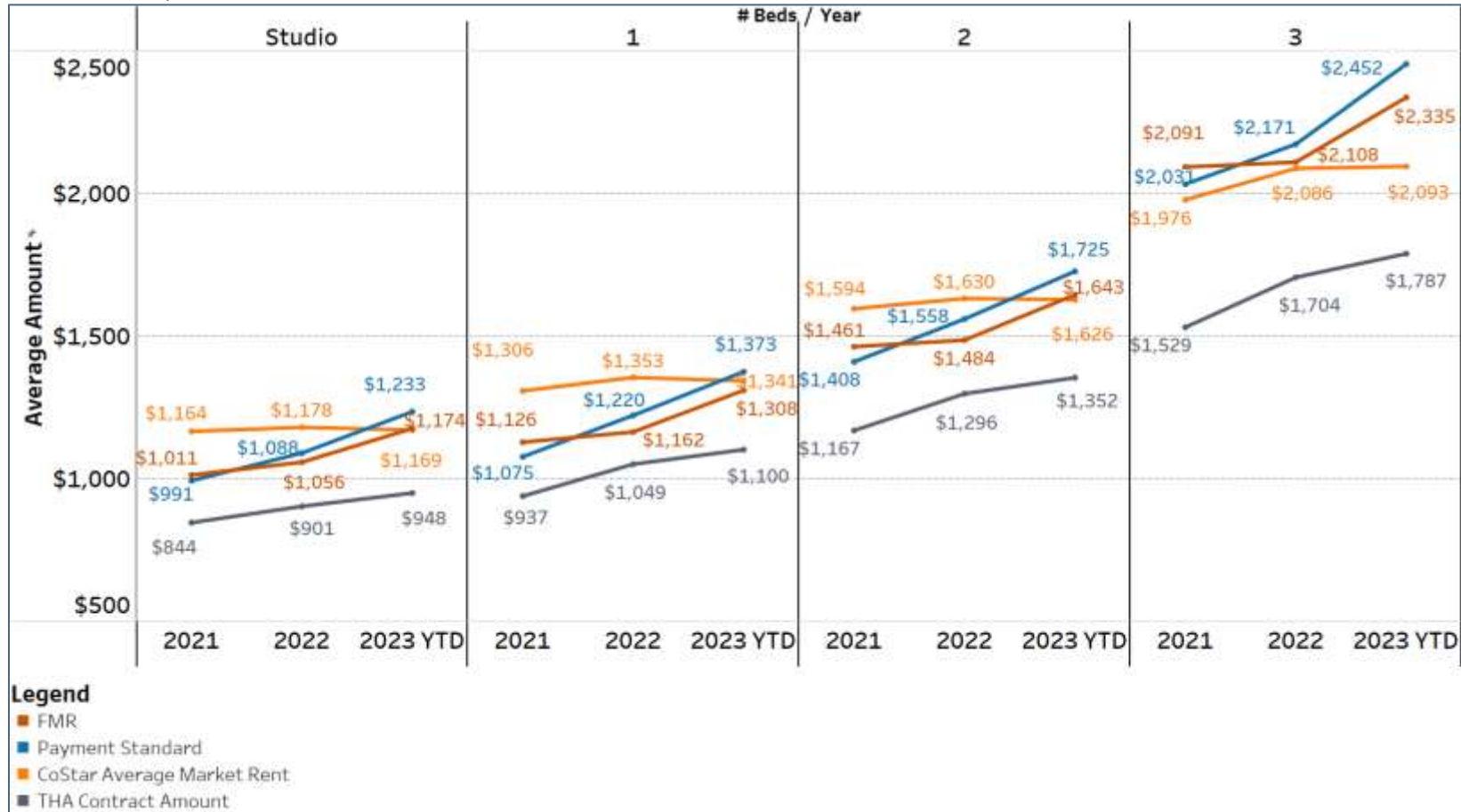
³ The 3 bedroom data may likely be incomplete due to the current CoStar limitation excluding single family dwellings.

Section 8 Comparison of FMR Trend with Contract Rents and Average Market Rents

Takeaway: 2023 FMRs appeared to have increased much faster than market rents and to a lesser extent contract rents

Figure 18. FMR Trends Compared with THA Contract Rents and Average Market Rents

Across all unit sizes shown, studio through 3-bedrooms, the 2023 FMRs (red lines) appear to have increased well above previous FMR yearly trends, seen as steeper slopes from 2022 to 2023 compared with previous years. Similarly, the 2022-2023 FMR line slope appears to be greater than CoStar market rents from 2022-2023 YTD (orange lines). Average THA Contract rent (black lines) and Payment Standards (blue lines) also shown for comparison.



Recommendation

Analysis findings in favor of increasing the payment standards above the 2023 Fair Market Rents:

- Although the data is incomplete for 2022, rates of housing success appear to continue to decrease (at least by 5%). It is too early to measure housing success in 2023.
- Across all programs 48% of households pay more than 30% of their income toward rent
- Average TBV contract rents appear to be increasing faster than market rents.

Analysis findings in favor of decreasing or maintaining the current payment standards:

- Across all programs (except EHV) median rent burden has decreased and is 28.4%
- The HOP to HCV transition is having is producing positive results, driving down HOP rent burdens
- The number of days it takes to find housing decreased dramatically when compared to 2021. It is too early to measure housing success in 2023.
- Market rents decreased slightly while vacancy rates increased dramatically across most unit sizes since 2022 (with the exception of studios).
- Over 70% of vacant units listed by our landlord partners are currently at or below THA's payment standards.
- Interim rent increases remain at nearly the same levels as last year, which were already significantly higher than previous years.
- THA's payment standards exceed market rents across all bedroom sizes.
- The FMR is nearly at or slightly below the market rents for 0-1 bedroom sizes. Taken with the fact that across all available unit sizes, average contract rents are increasing at a faster pace than the market, this suggests THA should not reduce the payment standard below the FMR for these unit sizes.

Section 9 Estimated Financial Impact on THA

THA's 2023 HUD budget reflects significant HAP increases over 2022. However, THA is experiencing notable increases in HAP and current trends are expected to continue. The offsetting impact of lower than anticipated utilization and higher than projected Average HAP has resulted in total HAP costs that are remarkably in line with budget. A reduction in payment standards would have limited impact on 2023 due to the implementation date and the high percentage of THA voucher holders that would remain under the current payment standards even if they were lowered.

EHV and VASH's exception payment standards are funded on a reimbursement basis. If we run out of funding, we have the opportunity to request additional funds from HUD. We also have HUD held reserves for these programs.

The Finance Department supports the proposal to maintain the current payment standards and will closely monitor utilization and HAP costs with Rental Assistance and PIE as we seek to increase utilization.

Final Recommendation

- Market rents decreased slightly and rent increases remain at 15%.
- Median rent burdens decreased (except EHV).
- HAP expenses have increased but overall, but more than 40% of households are paying over 30% of their income toward rent.
- It's too early to measure housing success rates for 2023.
- THA needs to increase overall utilization to meet our substantially the same requirement.

After a review of our current payment standards and the other factors listed in this analysis, we recommend maintaining the current payment standards as it is too early to measure the impact of the payment standards (effective 1/1/23), particularly on housing success rates at a time when we are focused on increasing the number of households THA serves.