

# 2023 Fall Payment Standards Analysis

**We strive to:**

- Reduce Rent Burden**
- Increase Housing Choice**
- Reduce Unplanned Relocation**
- Increase Housing Success**

**November 2023**



# Background

## Payment Standards set the value of a voucher

- 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
- 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 will pay to landlords.
- They are also used in the calculation of THA tenant and participant rents.

	FY 2023 FMRs	Current Payment Standards	% of the FMR	Exception PS: VASH & EHV	% of the FMR
Studio	\$ 1,174	\$ 1,233	<b>105%</b>	\$ 1,409	120%
1 Bedroom	\$ 1,308	\$ 1,373	<b>105%</b>	\$ 1,570	120%
2 Bedroom	\$ 1,643	\$ 1,725	<b>105%</b>	\$ 1,972	120%
3 Bedroom	\$ 2,335	\$ 2,452	<b>105%</b>	\$ 2,802	120%
4 Bedroom	\$ 2,740	\$ 2,740	100%	\$ 3,288	120%
5 Bedroom	\$ 3,151	\$ 3,151	100%	\$ 3,781	120%
6 Bedroom	\$ 3,562	\$ 3,562	100%	\$ 4,274	120%
7 Bedroom	\$ 3,973	\$ 3,973	100%	\$ 4,768	120%
8 Bedroom	\$ 4,384	\$ 4,384	100%	\$ 5,261	120%

**Effective January 1, 2023: THA's payment standards were set at 105% of the 2023 FMRs for 0-3 bedrooms and 100% of the 2023 FMR for all other bedroom sizes**

- EHV and VASH have exception payment standards at 120% of the FMR (2br: \$1,972)

# Background

PHAs must set payment standards between 90-110% of Fair Market Rents (FMR)

- HUD’s proposed 2024 FMRs increased by around 18-22%

	FY2023 FMRs	FY2024 FMRs	\$ Change	FMR % Change From 2023 - 2024
Studio	\$1,174	\$1,430	\$256	21.8%
1 bedroom	\$1,308	\$1,603	\$295	22.6%
2 bedroom	\$1,643	\$1,987	\$344	20.9%
3 bedroom	\$2,335	\$2,800	\$465	19.9%
4 bedroom	\$2,740	\$3,236	\$496	18.1%
5 bedroom	\$3,151	\$3,721	\$570	18.1%
6 bedroom	\$3,562	\$4,207	\$645	18.1%
7 bedroom	\$3,973	\$4,692	\$719	18.1%
8 bedroom	\$4,384	\$5,178	\$794	18.1%



# Background

## PHAs must set payment standards between 90-110% of Fair Market Rents (FMR)

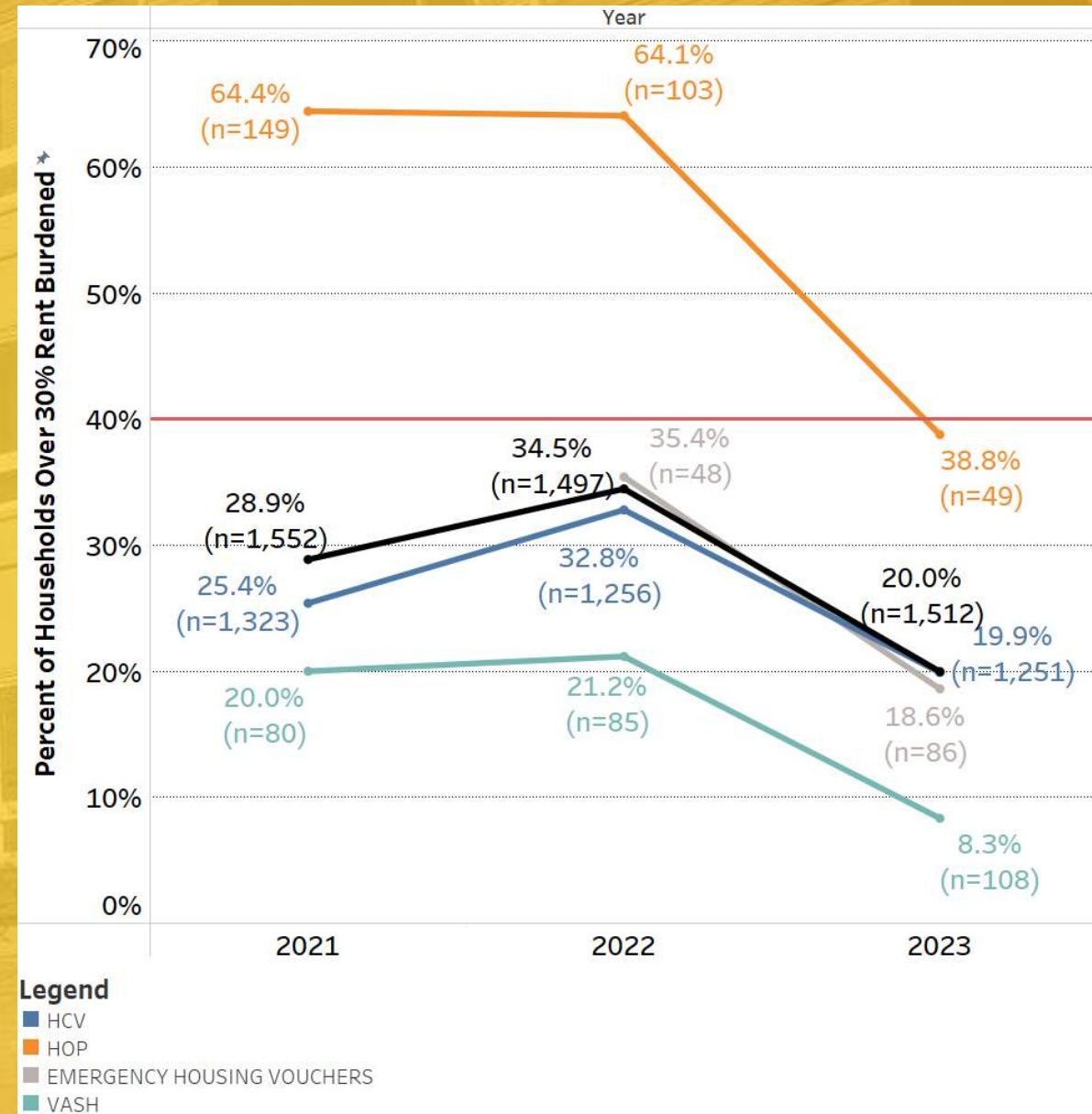
- Current Payment Standards fall below 90% of the proposed 2024 FMRs
- THA has submitted an MTW activity to decouple our Payment Standards from the FMRs

	Current PS	FY 2024 FMRs	% of 2024 FMRs
Studio	\$1,233	\$1,430	86.2%
1 bedroom	\$1,373	\$1,603	85.7%
2 bedroom	\$1,725	\$1,987	86.8%
3 bedroom	\$2,452	\$2,800	87.6%
4 bedroom	\$2,740	\$3,236	84.7%
5 bedroom	\$3,151	\$3,721	84.7%
6 bedroom	\$3,562	\$4,207	84.7%
7 bedroom	\$3,973	\$4,692	84.7%
8 bedroom	\$4,384	\$5,178	84.7%

# Findings

## Rent Burden:

- The percent of households over 30% rent burdened **is decreasing across all programs**
- **2022** – 32.8% of traditional Housing Choice Voucher households (HCVs) and 64.1% of Housing Opportunity Program (HOP) households were paying more than 30% of their income toward rent.
- **September 2023** – 19.9% of traditional HCVs and 38.8% of HOP households were paying more than 30% of their income toward rent

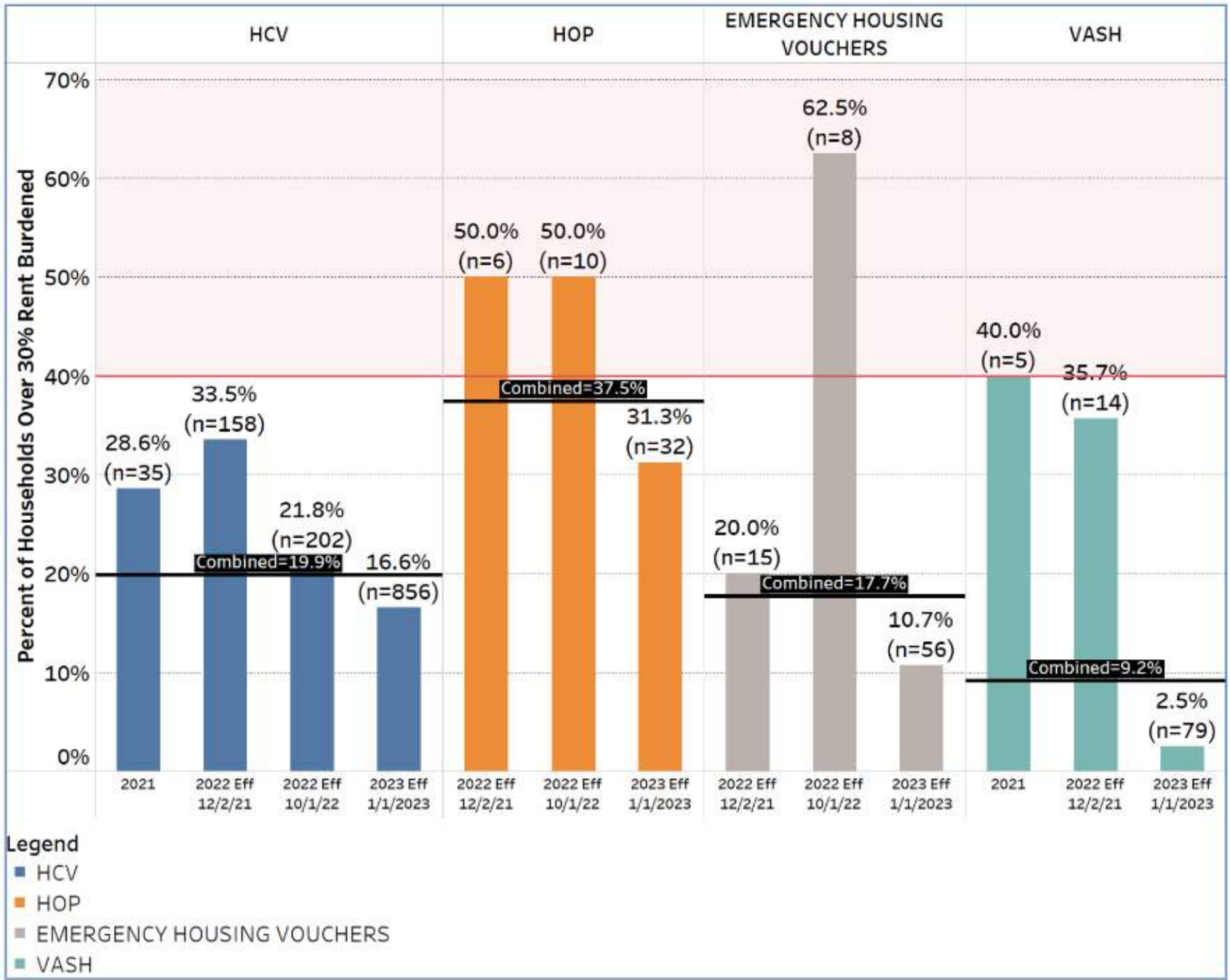




# Findings

## Rent Burden Continued:

- As households switch to the 2023 Payment Standards, their rent burden decreases.
- There is a significant reduction in the number of HOP households over 30% rent burdened
- There is a significant reduction in the number of households over 30% rent burdened across all programs



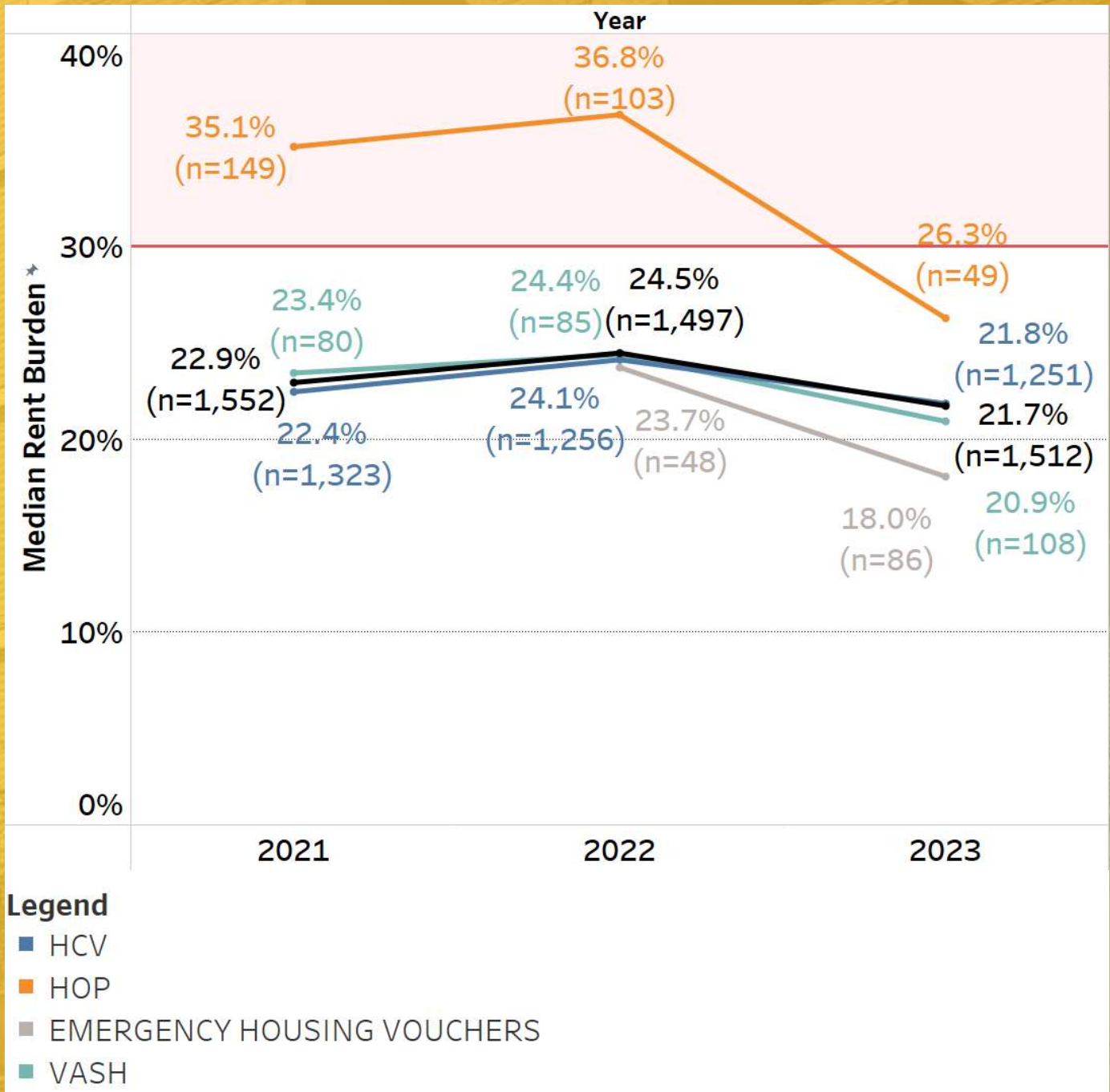
# Findings

## Rent Burden Continued:

Most Voucher holders are facing less rent burden than in 2022 (the black line is all programs)

## Median Tenant Based Voucher Household Rent Burden by Program, 2021-2023.

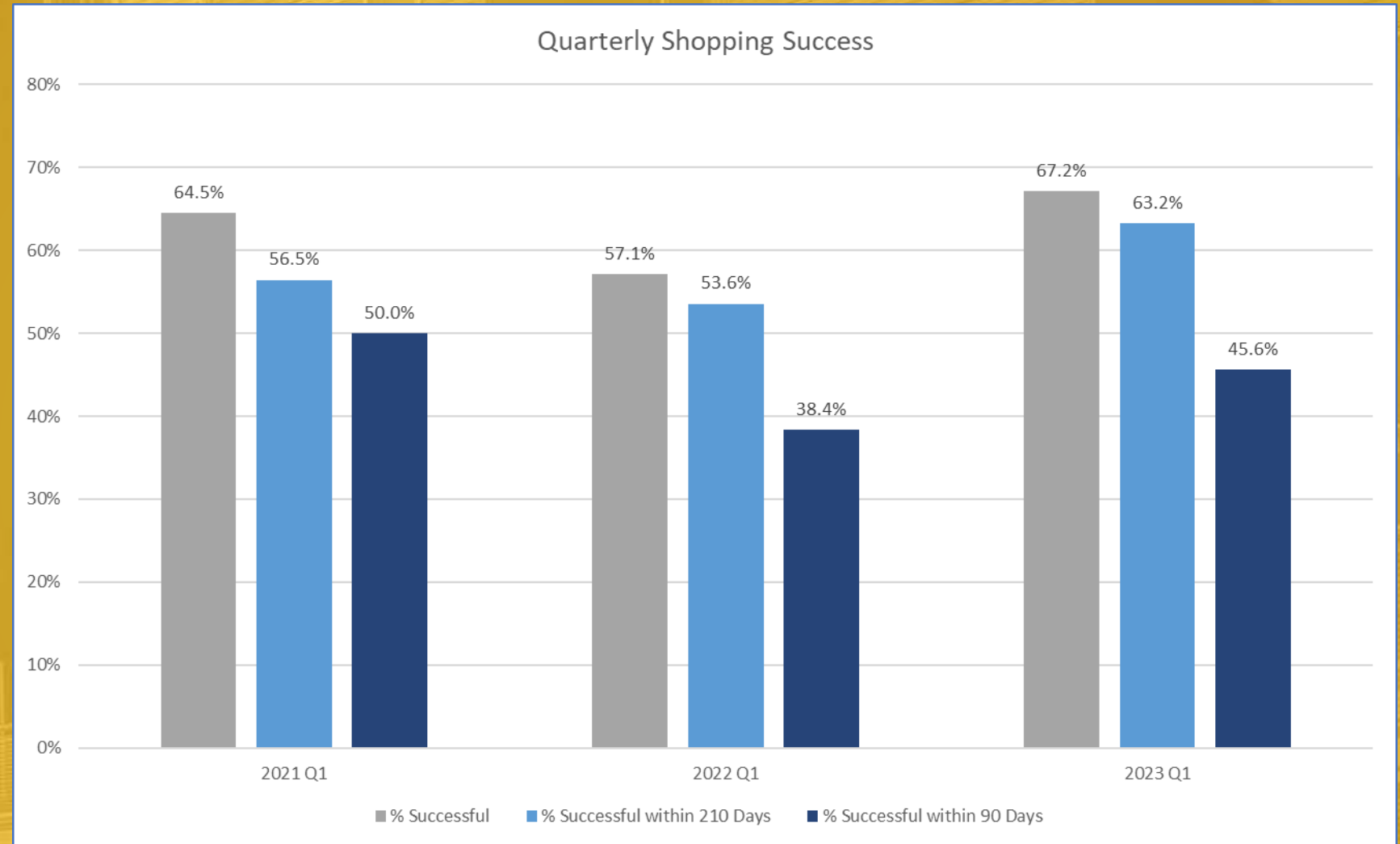
- Rent burden calculated by family share of rent as a fraction of adjusted income. Disaggregated by program and combined (black line), showing annual median taken in September of each year from 2021-2023.



# Findings

## Housing Success:

- Rates of voucher success are increasing
- It is too early to examine Q2 and Q3, but the trend appears to be positive for those securing housing within 210 days

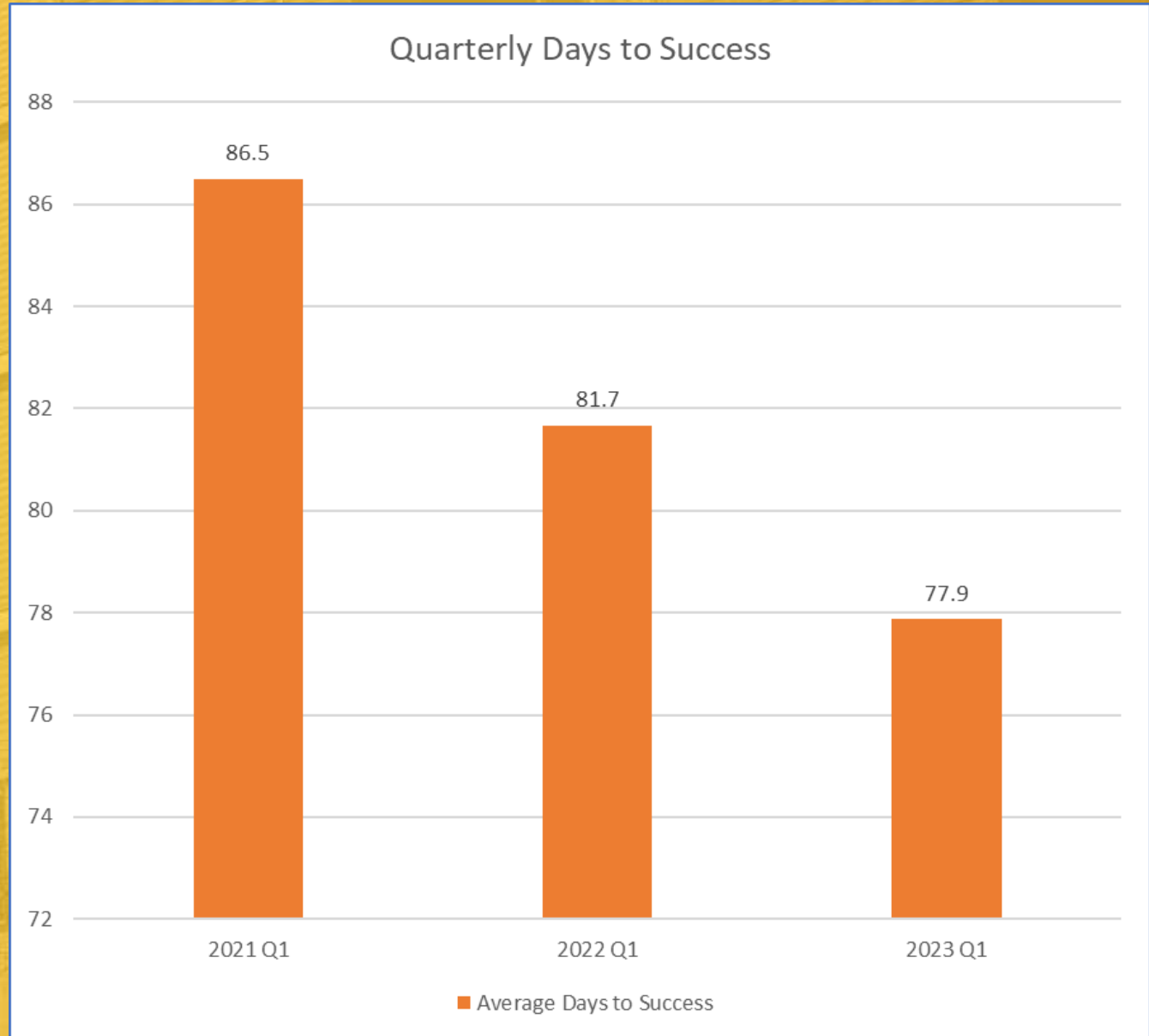




# Findings

## Housing Success:

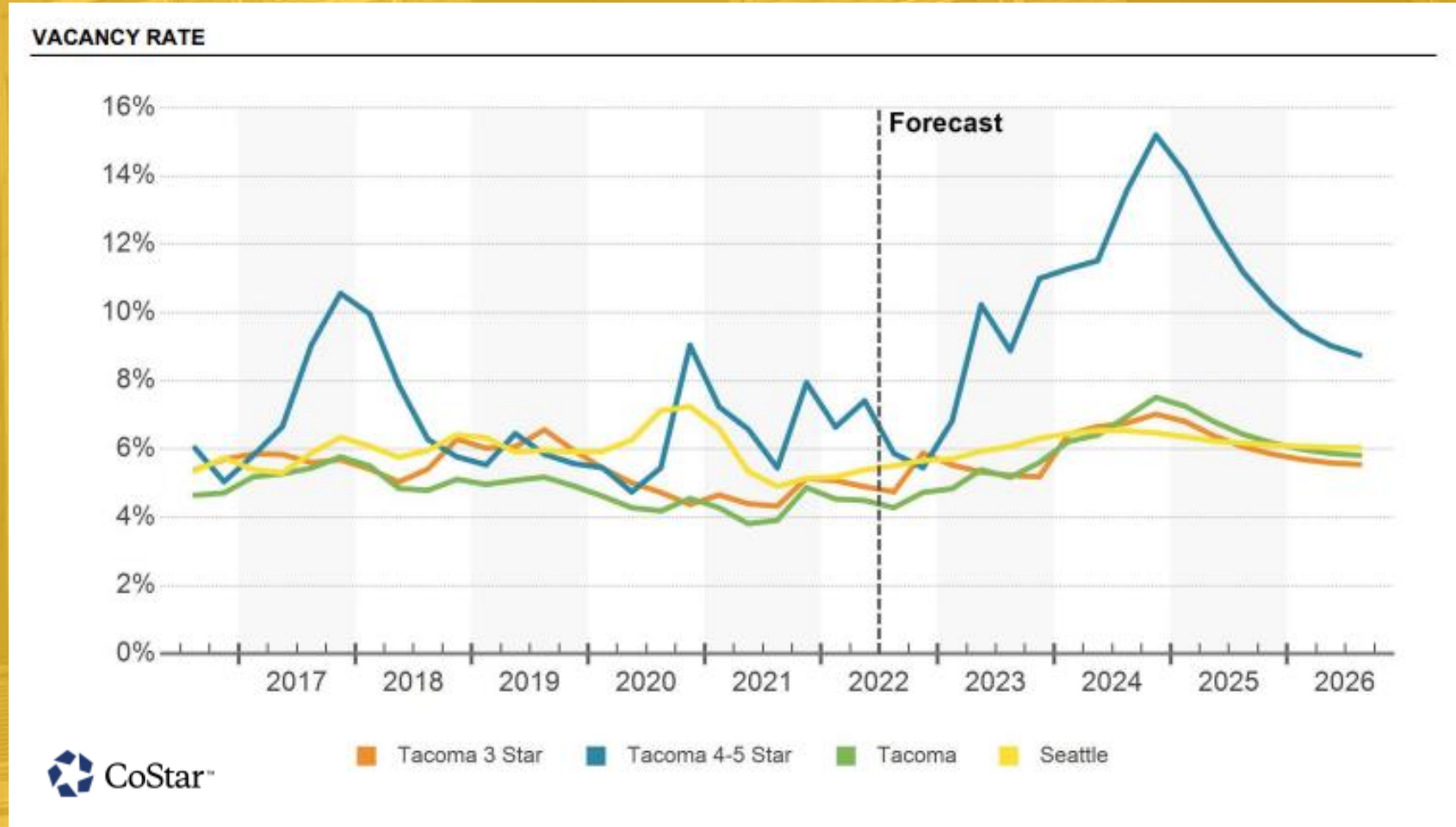
- The average number of days to find housing among is decreasing (Q1 2022 vs. Q1 2023); 81.7 and 77.9 days, respectively.



# Findings

## Vacancy Rates:

- CoStar is reporting slightly increased vacancy rates and are also forecasting continued increases
- This is likely due to new units projected to be completed in the next few years across the city

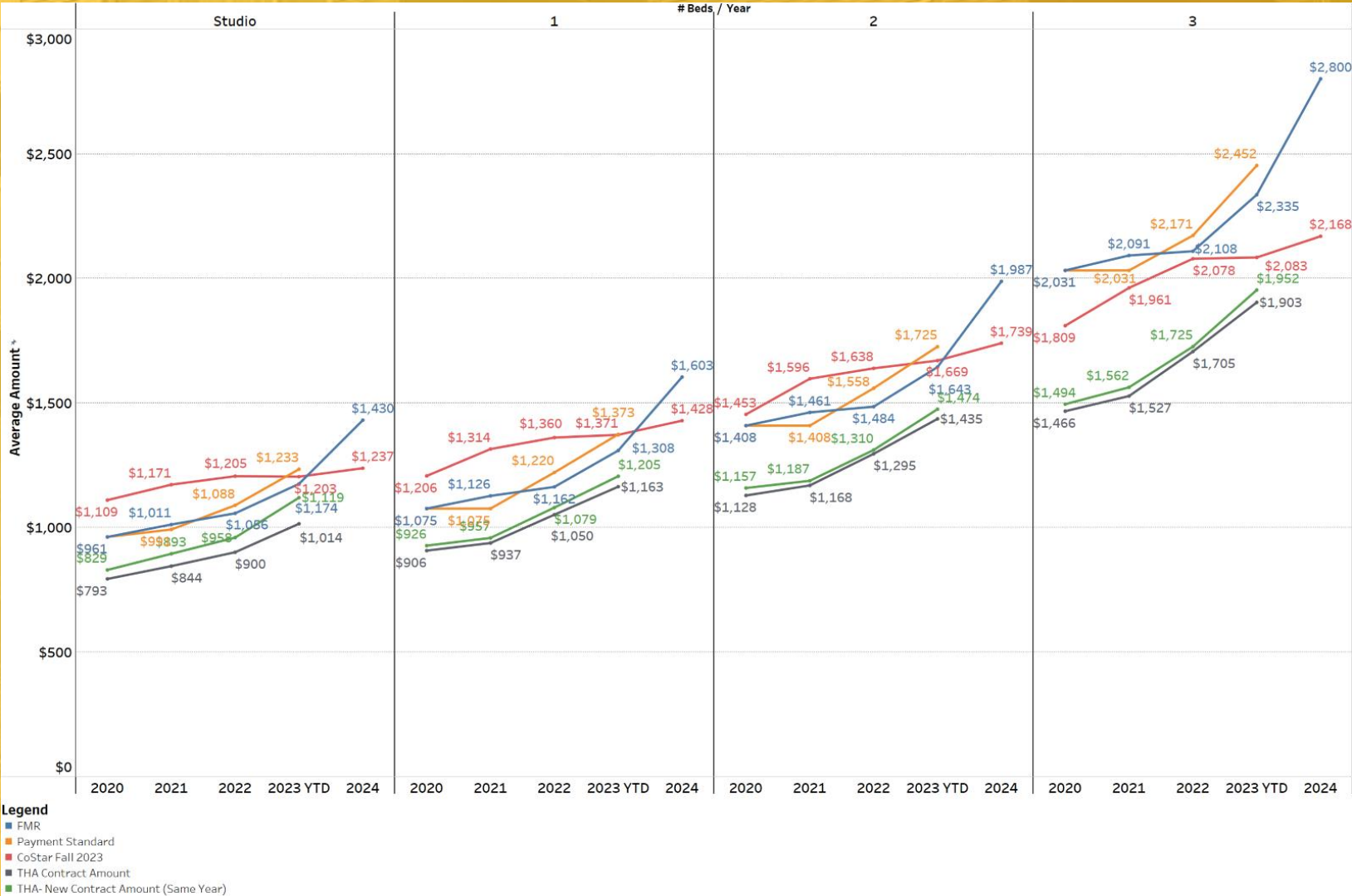


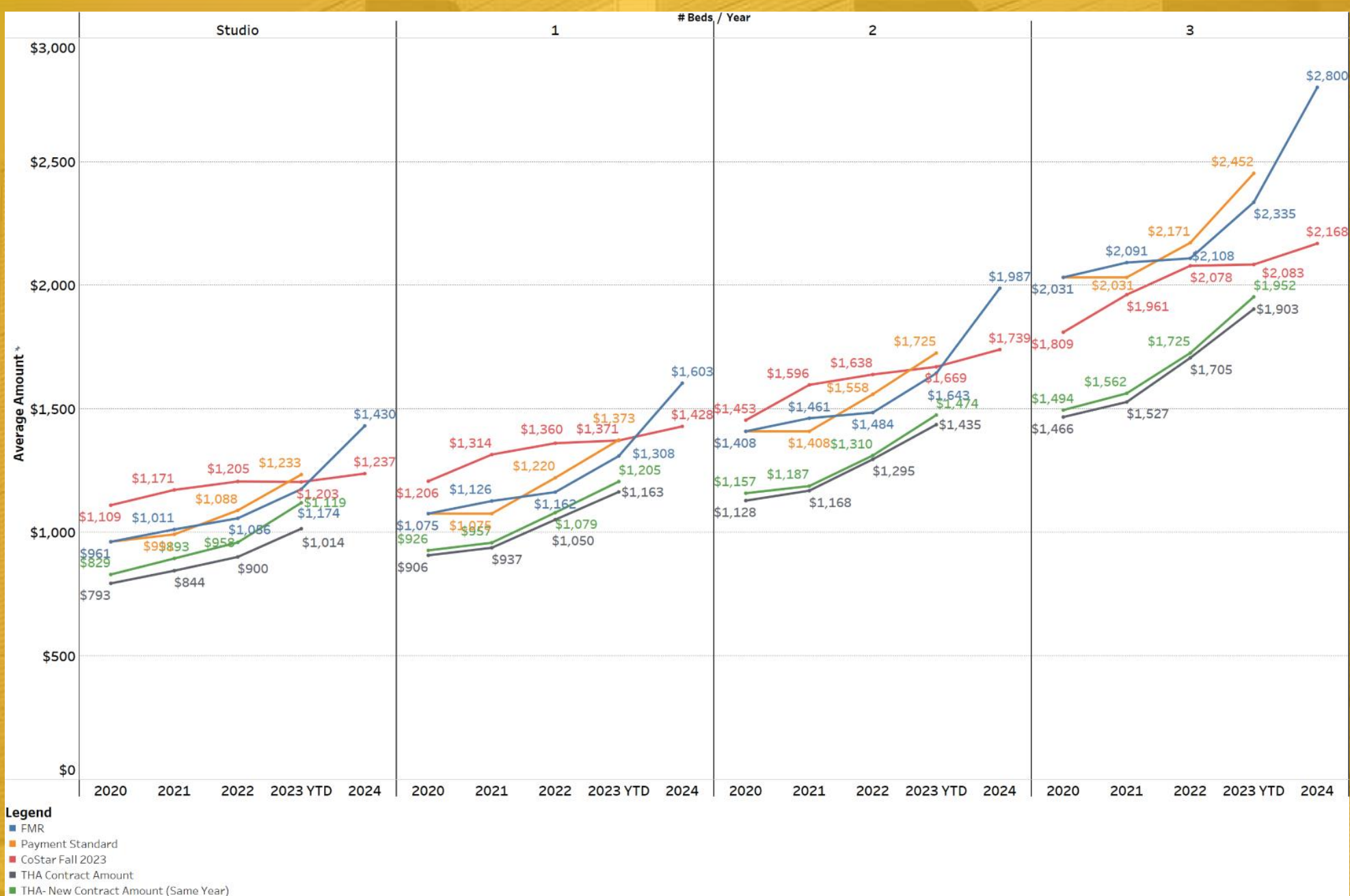


# Findings

## Contract Rents

- Payment Standards increased at a much faster rate than average market rents from 2022 to 2023.
- HUD FMRs are increasing at an increasing rate for 2024 which seem to somewhat match THA New Contract Rent increases. Therefore, following the HUD FMR methodology change may need to be evaluated in comparison to THA Contract Rents later in 2024 with future analyses.





### Payment Standards, Fair Market Rents, THA Contract Rents, compared with Average Market Rents, 2020-2024.

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



# Findings – Financial Impacts

## **MTW Impacts**

- Any increases in the payment standard would necessitate THA reducing the number of households served to remain within the budget.

## **Non-MTW/Special Purpose Voucher Impacts**

- Special Purpose Vouchers are funded on a reimbursement basis. If we exhaust our funding, we can request additional funds from HUD. However, this increases the likelihood of our request not being approved.

# Recommendation

## Key Findings:

### Rent Burden

- Median rent burdens are decreasing.
- The percentage of households paying more than 30% of their income to rent is decreasing across all programs (down 15%).

### Voucher Success

- Rates of voucher success appear to have increased when compared to the same period last year.
- Median shopping days among households which were successful leasing up decreased when compared to the same period last year.

### Payment Standards, HUD Fair Market Rents, THA Contract Rents, and Area Market Rents

- Payment Standards increased at a much faster rate than average market rents from 2022 to 2023.
- Overall, New Contract Rents (new and existing customer rents) are significantly below HUD's FMRs. 2-bedroom units are 25% below FMRs.
- HUD FMRs are increasing at an increasing rate for 2024 which seem to somewhat match THA New Contract Rent increases.
- Therefore, following the HUD FMR methodology change may need to be evaluated in comparison to THA Contract Rents later in 2024 with future analyses

- **We recommend making no change to THA's Payment Standards**