



TACOMA HOUSING AUTHORITY

RESOLUTION 2021-09-22 (3)

Date: September 22, 2021
To: THA Board of Commissioners
From: April Black
Interim 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.

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 following 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 January 2021 as outlined later in this memo.

The following table compares the new HUD 2022 FMRs to the existing 2021 FMRs:

	FY2021 FMRs	FY2022 FMRs	\$ Change	FMR % Change From 2020 - 2021
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%

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

- shelter burden (% of household income paid for rent and utilities)
- vacancy rate and rent by Tacoma neighborhood
- comparison of current payment standards with current average Tacoma rents
- inspection pass or fail rates
- how long it takes clients to find a unit under the current payment standards
- the extent to which clients cannot use a voucher
- the extent to which clients seek to take their voucher to other jurisdictions
- requests for rent increases and the average amount
- the overall financial impact on THA

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

HUD has established a standard that households paying more than 30% of their income toward rent are considered rent or shelter burdened. 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. **September 2020** – 31% of traditional HCVs and 50% of HOP clients were paying more than 30% of their income toward rent.

1.2. **August 2021** - 38% of traditional HCVs and 58% of HOP clients were paying more than 30% of their income toward rent.

The average rent burden for HCV is 31.3%, but 38.2% of all HCV households pay more than 30% of their income to rent. The average rent burden for HOP is 38.4%, but more than half (58.1%) of all HOP households pay more than 30% of their income to rent. This is because in most cases HOP provides a shallower subsidy in order to serve more households. Overall, households face a steeper shelter burden than in past years.

2. **Vacancy Rate and Rent by Tacoma Neighborhood**

A lower vacancy rate and higher rents make it difficult for clients to compete for units. Increasing the payment standards helps them compete for those units with less out of pocket expenses.

In the past, THA has relied heavily on the vacancy report provided by Dupre & Scott. That company went out of business in January 2018. THA has been using various compilations of on-line resources and a rental property survey that McCament and Rogers conduct twice a year. McCament and Rogers is a real estate consulting firm that also does market studies for the City of Tacoma and Lakewood. Within the report, McCament & Rogers separates the market into four categories: low-income, affordable, market-rate, and outside downtown.

McCament & Rogers defines low-income, affordable, and market-rate in the following ways:

- **Low-Income rents** have some sort of subsidy attached to them but could have some affordable units not subsidized within the community.
- **Affordable rents** would be communities that are older and mostly smaller units, however, on dollar per square foot, some are as high as market rate.
- **Market rents** would be the rent on most newer properties set at the highest rate the market will bear. The current communities adjust the rents on a daily basis depending on demand. For example one day a one-bedroom may be \$1500 the next it could be \$1200 because they have some vacancy in that style of unit.

Below is a comparison of last year's and this year's vacancy rates and average two bedroom rent across those four categories:

Q3 2020 (McCament and Rogers Survey)

	Low Income	Affordable Market	Market Rate	Out of Downtown
Vacancy Rate (%)	1%	3%	5%	3%
Average Rent (\$) 2 Bdrm	\$1018	\$1918	\$2498	\$2525

Q2 2021 (McCament and Rogers Survey)

	Low Income	Affordable Market	Market Rate	Out of Downtown
Vacancy Rate (%)	1%	2%	2%	2%
Average Rent (\$) 2 Bdrm	\$996	\$1945	\$2291	\$2553

3. Comparison of Current Payment Standard and Rents

Comparing the current payment standards to actual rents THA is paying for units 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 compares the **current** payment standards and the actual average contract rent amount for new admissions and movers in the HOP & HCV programs, excluding PBVs.

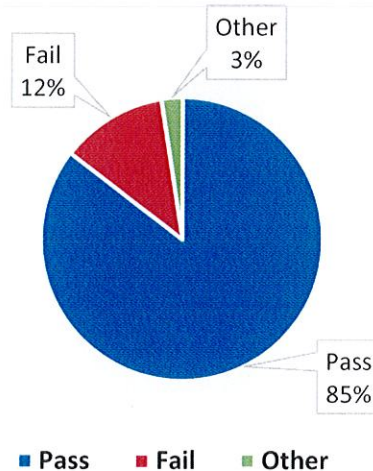
	Current Payment Standards	Avg Contract Rent 2019-2020	Avg Contract Rent This Year
Studio	\$991	\$894	\$1009
1 bedroom	\$1075	\$989	\$1046
2 bedroom	\$1408	\$1245	\$1371
3 bedroom	\$2031	\$1680	\$1712
4 bedroom	\$2472	\$1802	\$2165
5 bedroom	\$2843	\$2369	\$2905

4. HQS Pass/Fail Rates

Tracking the pass/fail rates of initial unit inspections provides a measurement that is used to determine if the payment standard amounts are allowing clients to select higher quality units.

Currently, a little over 85% of all units selected by clients pass inspections. This is based on comparing the number of initial inspections in relation to the number of failures. This is an increase from last year's 75%.

Disposition of Inspections

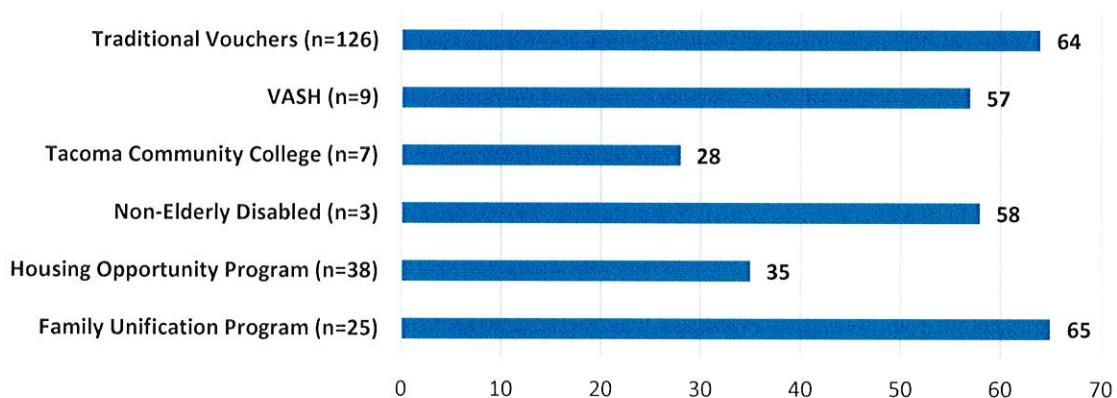


5. Shopping Days

Tracking the amount of time it takes for our clients to find and secure a unit helps determine if the payment standards give them sufficient buying power in the market. A longer shopping time could mean that the payment standard is not competitive with the market rate rents.

In 2021 we saw an increase from 34 to 61 days for traditional vouchers and a decrease from 42 to 31 days for the Housing Opportunity Program (HOP) clients.

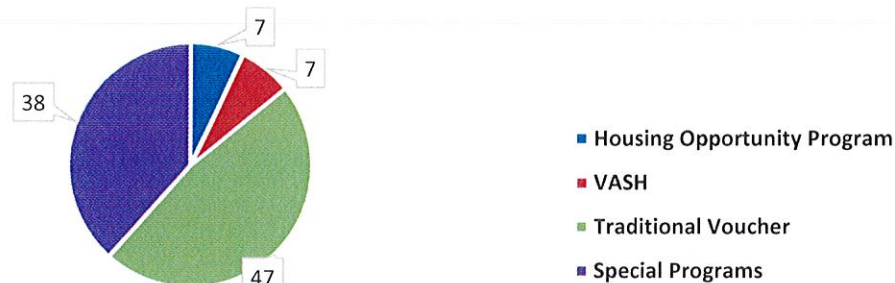
Average Days Shopping by Program for 8/1/2020 - 8/1/2021



6. Expired and Unused Vouchers

Returned subsidies can be a barometer for client shopping success as well. An increase in returned subsidies could indicate an inability to compete for units in the market. Of the 475 vouchers issued so far this year, 99 subsidies (21%) have expired or, gone unused so far from August 1, 2020 through August 1, 2021. This is a slight decrease from 22% (996/223) in 2019. The chart below shows the breakdown of the major programs. These vouchers include households shopping for housing while new to the program and households hoping to move between assisted units.

Expired and Unused Vouchers (08/01/2020 -08/01/2021)



7. Port Outs

Tracking the number of clients leaving our jurisdiction provides an indicator that could mean they are searching for an affordable unit elsewhere. 178 clients have ported out so far in 2021. In 2020, there were 363 total port-outs.

8. Rent Increases Processed

So far in 2021, staff have processed 1,271 rent change requests. The average increase is approximately \$96.00. In 2020, staff processed 969 rent increase requests before the various moratoriums related to the COVID-19 pandemic were implemented in March of that year. The average increase then was approximately \$129.00. Since the 2020 data is incomplete, we're including the previous year's data. In 2019 there were 2036 total requests and the average request amount of \$97.00.

We anticipated a much larger average increase amount with the moratoriums on rent increases lifting. However, this has not been the case. While they all came at the same time, we are seeing almost the same amount of requests as previous years with nearly the same average request amount.

9. Estimated Financial Impact on THA

Aside from processing referrals for our special programs, THA is not currently leasing to additional people off the waitlist at this time, so an immediate analysis is hard to review. However, for most participants, their portion changes only when there is a qualifying event. Therefore, we believe any impact would be minimal and spread out over time.

The Finance Department is in support of increasing the payment standards this year.

Recommendation

Analysis findings in favor of increasing the payment standards:

- There has been a notable increase in the overall shelter and rent burden rate among participants.
- We are seeing a decrease in the already extremely low vacancy rates.
- Rents are slightly, but steadily increasing across most sectors and the current two-bedroom payment standards are below the reported average rent for a two bedroom.
- The average number of shopping days for clients on the traditional voucher program has increased – it is important to note however that this may be due to difficulty securing units during the COVID-19 pandemic.

Analysis findings in favor of retaining the current payment standards:

- The average rent for THA clients is below the existing payment standards.
- Reduced number of expired vouchers – this may be due to the allowance of extensions due to COVID-19.
- Reduced number of port-outs – this could also be due to COVID-19 and THA policy changes.
- Somewhat surprisingly, the average rent increase request amounts have remained the same.

Final Recommendation

After a review of our current payment standards and the other factors listed in this analysis, we recommend setting all bedroom sizes at 100% of the new 2022 FMRs. This will increase each bedroom size payment standard by a reasonable percentage. Setting our payment standards at these amounts will grant our participants a little more stability in these unknown times. Due to the uncertainty of the pandemic and the changing requirements of the Pierce County late rent program, 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	\$991	\$1,056	\$1,056	100%	7%	\$528
1 bedroom	\$1,075	\$1,162	\$1,162	100%	8%	\$581
2 bedroom	\$1,408	\$1,484	\$1,484	100%	5%	\$742
3 bedroom	\$2,031	\$2,108	\$2,108	100%	4%	\$1,054
4 bedroom	\$2,472	\$2,540	\$2,540	100%	3%	\$1,270
5 bedroom	\$2,843	\$2,921	\$2,921	100%	3%	\$1,461
6 bedroom	\$3,214	\$3,302	\$3,302	100%	3%	\$1,651
7 bedroom	\$3,584	\$3,683	\$3,683	100%	3%	\$1,842
8 bedroom	\$3,955	\$4,064	\$4,064	100%	3%	\$2,032

Staff recommends approving Resolution 2021-09-22 (3) authorizing THA to adopt new payment standards effective December 1, 2021.



TACOMA HOUSING AUTHORITY

RESOLUTION 2021-09-22 (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

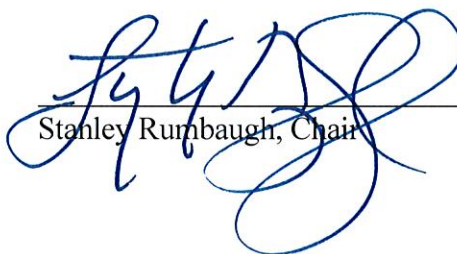
WHEREAS, the housing authority sets payment standards based on market and participant data; and

WHEREAS, new payment standards will go into effect December 01, 2021; 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: September 22, 2021



Stanley Rumbaugh, Chair