

REQUEST FOR AGENDA ITEM

1. Brief Description of Proposed Item:

Annual update of HCV payment standards

2. Proposed for which Agenda:

Regular ☒ Supplemental ☐3. Date of Board Meeting : 6/12/2019Policy Change: Yes ☐ No ☒Policy Area: Ops ☐ L&O ☒ P&D ☐ A&P ☐ Fiscal ☐ Personnel ☐Policy Document: ACOP ☐ Admin Plan ☐ Lease ☐ Personnel ☐ Other ☐

4. Proposed Board Motion:

MOTION: That the Board of Commissioners approve and adopt the updated Payment Standards for the Housing Choice Voucher Program effective for July 1st, 2019 as described in a Memorandum from Hannah Lodi, Director of Leased Housing, to Michael J. Johnston, Executive Director, dated June 6, 2019.

5. Is an extract required?

Yes ☒ No ☐*If yes, when will it be needed?*Immediately ☐ By Next Wednesday ☒

6. All Backup attached?

Yes ☒ No ☐*If no, When will backup be submitted:* _____

7. Statement regarding availability of funds by Fiscal Department

Funds Budgeted and Available ☐ Other ☐ Explain _____*Fiscal Department Approval*

Signature _____ Date: _____

8. Department Head Approval

Signature  Date: 6/6/19

9. Approval of Executive Director Signature

 Date: 6/6/2019

MEMORANDUM

TO: MICHAEL JOHNSTON, EXECUTIVE DIRECTOR
FROM: HANNAH LODI, DIRECTOR OF LEASED HOUSING
SUBJECT: UPDATED PAYMENT STANDARDS FOR THE HOUSING CHOICE VOUCHER PROGRAM FOR UNITS LEASED IN CAMBRIDGE
DATE: JUNE 6, 2019
CC:

Introduction

Each year HUD publishes the fair market rents (FMRs) for each market area in the United States. CHA must adopt a payment standard schedule that establishes voucher payment standard amounts for each unit size. CHA has broad discretion in setting these numbers through its Moving to Work Authority. When setting the payment standards CHA must consider a variety of factors including, but not limited to, the success rate of tenant-based voucher holders, the percentage of tenant-based voucher holders moving outside of Cambridge, market rents in Cambridge, and the relationship between the payment standard and the existing range of rents among current voucher holders.

In the past CHA has used a single payment standard for each bedroom size throughout all areas of Cambridge. This year, CHA is proposing to establish payment standards based on each of the five zip codes in Cambridge (known as "Small Area Fair Market Rents" SAFMRs). As explained below, this methodology is also being proposed by Boston Housing Authority (BHA), whose payment standards CHA uses for households leased outside of Cambridge. BHA has not officially implemented its new payment standards yet; however, in the meantime CHA is proposing to establish payment standards for vouchers leased in Cambridge in order to allow current voucher holders to benefit from the increased FMR amounts. CHA is proposing the following amounts to be made effective July 1st, 2019.

Proposed new Payment Standards						
Zip Code	SRO	0br	1br	2br	3br	4br
02138	\$1,512	\$2,016	\$2,250	\$2,745	\$3,438	\$3,708
02139	\$1,418	\$1,890	\$2,115	\$2,574	\$3,222	\$3,483
02140	\$1,195	\$1,593	\$1,791	\$2,178	\$2,728	\$2,963
02141	\$1,249	\$1,665	\$1,872	\$2,277	\$2,853	\$3,078
02142	\$1,627	\$2,169	\$2,430	\$2,961	\$3,708	\$4,005

FY 2019 FMRs & FMR Challenge

The FY 2019 FMRs were originally published by HUD on August 31, 2018 for the Boston-Cambridge-Quincy MA-NH HUD Metro FMR Area. While the amounts increased on average by about 10% from the FY2018 FMR amounts, CHA was concerned that these amounts remained significantly below actual rent levels being charged in Cambridge and the surrounding communities. Additionally, while FMR's have increased steadily and substantially over the past several years, CHA's renewal inflation funding (RFIF)

has remained relatively flat. As a result, Housing Assistance Payment (HAP) commitments have increased while the funding to support these increases has not kept pace.

In September 2018, following the release of the 2019 FMR's, CHA joined with Boston Housing Authority (BHA) and the Massachusetts Department of Housing and Community Development (DHCD) to submit to HUD a joint appeal of the 2019 FMR's for the Boston-Cambridge-Quincy, MA-NH HMFA. In order to challenge the FMRs the PHA (or group of PHA's) must represent over half of the vouchers in the HMFA jurisdiction. CHA, BHA, and DHCD represented just over half of the vouchers in the jurisdiction. All PHA's in the region continued to use the FY 2018 amounts while the FMR study was being conducted and while the challenge was being reviewed by HUD.

In January 2019 BHA submitted a rent study/survey to HUD on behalf of BHA, CHA, and DHCD, reflecting the estimated 40th percentile rent levels. On March 14, 2019 the revised FMR amounts were published in the Federal Register, to be available for PHA's to implement effective as early as April 15, 2019. The chart below shows the FY2018 FMR amounts, the FY2019 pre-challenge FMR amounts, the FY2019 post-challenge FMR amounts, and the overall increase from 2018 to 2019:

	0br	1br	2br	3br	4br
FY 2018 FMR	\$1,253	\$1,421	\$1,740	\$2,182	\$2,370
FY 2019 FMR (pre-challenge)	\$1,394	\$1,561	\$1,902	\$2,383	\$2,571
<i>Increase from FY 2018</i>	<i>+11%</i>	<i>+10%</i>	<i>+9%</i>	<i>+9%</i>	<i>+8%</i>
FY 2019 FMR (final/post-challenge)	\$1,608	\$1,801	\$2,194	\$2,749	\$2,966
<i>Increase from FY 2019 (pre-challenge)</i>	<i>+15%</i>	<i>+15%</i>	<i>+15%</i>	<i>+15%</i>	<i>+15%</i>
<i>Increase from FY 2018</i>	<i>+28%</i>	<i>+27%</i>	<i>+26%</i>	<i>+26%</i>	<i>+25%</i>

Small Area Fair Market Rents (SAFMRs)

In the past CHA has established an exception payment standard for households leasing up in Cambridge, which has allowed CHA to set its payment standards above the typical 90-110% FMR range. For areas outside of Cambridge CHA has used the Boston Housing Authority payment standards, typically set at 110% of FMR.

Historically, public housing authorities (PHA's) have been limited by HUD to using one payment standard for each metropolitan area. However, under new HUD regulations PHA's can now adjust their FMR's for each zip code where they assist families, therefore setting a rent structure in much more specific geographic areas. These zip-code based amounts are established by HUD each year and are referred to as "Small Area Fair Market Rents" (SAFMRs). Because they are zip-code based rather than encompassing an expansive region, the use of SAFMRs allow for expanded housing options in many communities currently inaccessible to our voucher holders while avoiding the negative impact of artificially inflating rents in others. In recent years, PHAs in the metro-Boston region have not been apt to adopt SAFMRs as it would cause the payment standards to decrease in communities with large amounts of existing voucher holders, which would negatively impact these tenants and families. However, due to the increase in FMRs resulting from this year's FMR challenge, BHA is now proposing to use SAFMRs in place of the traditional FMRs, as the issue of decreasing payment standards in some areas has been mitigated.

BHA is currently in a public comment period for the proposed Amendment to its Administrative Plan to implement SAFMRs. The comment period began on May 10 and closes on June 24. CHA is currently conducting an analysis to determine the financial impact of adopting SAFMRs across its entire tenant-based voucher portfolio but due to the corresponding increase to the RFIF resulting from the FMR challenge, believes that it would not be an issue to adopt BHA's proposed payment standards to CHA's program, as we have done in the past. The new payment standards would not affect CHA's project-based units, which represent a significant portion of CHA's overall voucher portfolio. Additionally, the majority of CHA's tenant-based voucher participants are on a biennial recertification schedule, meaning the impact of requests for rent increase would be phased in over-time and not happen all at once.

The SAFMRs for Cambridge's five zip codes are as follows:

	0br	1br	2br	3br	4br
02138	\$2,240	\$2,500	\$3,050	\$3,820	\$4,120
02139	\$2,100	\$2,350	\$2,860	\$3,580	\$3,870
02140	\$1,770	\$1,990	\$2,420	\$3,030	\$3,270
02141	\$1,850	\$2,080	\$2,530	\$3,170	\$3,420
02142	\$2,410	\$2,700	\$3,290	\$4,120	\$4,450

Proposed Payment Standards (eff. 7/1/19)

HUD authorizes PHA's to set their payment standards between 90-110% of the established FMR amount, which also applies to SAFMRs. Considering all of the factors listed above, and taking into account voucher utilization and funding levels, CHA has proposed to implement 100% of the SAFMR amounts for all five zip codes. This would represent an increase in payment standard for all bedroom sizes and zip codes.

Proposed new Payment Standards						
Zip Code	SRO*	0br	1br	2br	3br	4br
02138	\$1,680	\$2,240	\$2,500	\$3,050	\$3,820	\$4,120
02139	\$1,575	\$2,100	\$2,350	\$2,860	\$3,580	\$3,870
02140	\$1,328	\$1,770	\$1,990	\$2,420	\$3,030	\$3,270
02141	\$1,388	\$1,850	\$2,080	\$2,530	\$3,170	\$3,420
02142	\$1,808	\$2,410	\$2,700	\$3,290	\$4,120	\$4,450
<i>Percentage change from current effective Payment Standard</i>						
02138	+79%	+43%	+41%	+40%	+40%	+39%
02139	+68%	+34%	+32%	+31%	+31%	+31%
02140	+42%	+13%	+12%	+11%	+11%	+10%
02141	+48%	+18%	+17%	+16%	+16%	+15%
02142	+93%	+54%	+52%	+51%	+51%	+50%

These amounts represent 100% of the SAFMRs for each zip code

**SRO payment standards are set at 75% of the 0br amount. Currently, all of the SRO units subsidized by CHA are subsidized under the Mod Rehab or State voucher programs, where rents are typically restricted far below the payment standard amounts listed above.*

Additional Information

The reasoning for establishing these payment standards now rather than waiting for BHA's process to conclude is that CHA will be issuing vouchers during the month of June and will have a significant number of voucher holders out searching for units at that time. It would be unfortunate for them to not be able to take advantage of the higher payment standard amounts in Cambridge. Additionally, the higher amounts would allow CHA to approve pending rent increase requests to protect and preserve the tenancies of existing leased tenants.

It is also important to underscore the importance of coordination among area PHA's with regard to setting payment standard amounts. If the BHA proposal to adopt SAFMRs is ultimately implemented then it will have a significant impact on the region, as it will unlock areas that voucher holders have historically been priced out of. Furthermore, it will incentivize other PHAs to also adopt the SAFMR methodology so as not to put their own voucher holders at a disadvantage when searching in these areas. If PHAs are using different payment standard amounts then it creates both confusion and competition among voucher holders who are searching for units, and drives the market towards the "highest bidder." CHA has typically adopted BHAs payment standards for units outside of Cambridge both in the spirit of regional coordination and cooperation, but also to promote consistency in the market.

In Cambridge, CHA has proposed to set the payment standard amounts at 100% of the SAFMR, which for all zip codes exceeds 110% of the traditional FMRs. This ensures that if other PHA's ultimately decide not to adopt SAFMRs then in either case CHA's voucher holders would not be at a disadvantage, since the maximum payment standard that a non-MTW agency could adopt would be 110% of the traditional FMR.

CHA is hopeful that adopting SAFMRs in Cambridge will not only preserve existing leased units in areas where the market is steadily rising, but also open up areas of the City in which voucher holders have traditionally had difficulty finding units. The chart below shows all of CHA's tenant-based vouchers that are leased in Cambridge, broken out by zip code and payment standard. Additionally, it shows the breakdown of units among non-profit affordable housing owners/developers (such as Homeowners Rehab and Just-A-Start), inclusionary zoning units (where rents are typically set well below the CHA's payment standard level), and "Other" units (which tend to be private landlords with fewer than 10 units leased with CHA).

Zip Code / Owner type	0br	1br	2br	3br	4br	5br	# of Total Units Leased	% of Total Units Leased
02138	14	93	66	18			191	17%
Non-Profit Owner(s)	4	23	22	5			54	5%
Inclusionary Owner(s)	1	23	9	4			37	3%
Other	9	47	35	9			100	9%
02139	16	148	168	98	3	3	436	39%
Non-Profit Owner(s)	13	54	95	68	1	2	233	21%
Inclusionary Owner(s)		37	18	3			58	5%
Other	3	57	55	27	2	1	145	13%
02140	3	90	95	25	5	1	219	19%

Non-Profit Owner(s)	2	4	17	6			29	3%
Inclusionary Owner(s)		39	38	6			83	7%
Other	1	47	40	13	5	1	107	10%
02141	8	100	65	39	7		219	19%
Non-Profit Owner(s)	3	11	25	18	4		61	5%
Inclusionary Owner(s)	5	50	22	3			80	7%
Other		39	18	18	3		78	7%
02142	3	35	20	2			60	5%
Non-Profit Owner(s)							0	0%
Inclusionary Owner(s)	2	33	19	2			56	5%
Other	1	2	1				4	0.4%
Grand Total	44	466	414	182	15	4	1125	100%

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