

## Chapter 13

### OWNER RENTS, RENT REASONABLENESS, AND PAYMENT STANDARDS

[24 CFR 982.503, 982.504, 982.505, 982.507]

SHA will determine rent reasonableness in accordance with 24 CFR 982.507. It is SHA's responsibility to ensure that the rents charged by owners are reasonable based upon unassisted comparable units in the rental market, using the criteria specified in 24 CFR 982.507(b).

This chapter explains SHA's procedures for determination of rent reasonableness, payments to owners, adjustments to the payment standards, and rent adjustments.

See Chapter 11 for additional constraints on rent (40 percent cap on affordability).

#### **A. Making Payments to Owners** [24 CFR 982.451]

Once the HAP Contract is executed, SHA begins processing payments to the landlord. A HAP register will be used as a basis for monitoring the accuracy and timeliness of payments. Checks are disbursed by SHA's Accounting Department to the owner each month, in one of the following ways:

1. Direct deposit to owner's account (when available);
2. Regular monthly checks mailed to owner's address of record;
3. Special issue checks as required (ordered weekly) mailed to owner's address of record; or
4. At owner's request, checks may be made available for owner to pick up in person at SHA.

Checks that are not received will not be replaced until after the 10<sup>th</sup> of the month, after a written or verbal request has been received from the payee and a stop payment has been put on the check.

#### Excess Payments

The total of rent paid by the tenant plus SHA Housing Assistance Payment to the owner may not be more than the rent to owner specified in the HAP Contract. The owner must immediately return any excess payment to SHA.

Owners who do not return excess payments will be subject to penalties outlined in Chapter 19, Owner or Family Debts to SHA.

#### Late Payments to Owners

In keeping with generally accepted practices in the local housing market, SHA will pay to the owner a \$25.00 late fee, or the late fee specified in the owner's lease charged to tenants whose rent is late, whichever is lower, for Housing Assistance Payments that are not received by the

owner by the 10th day of the month, if requested by the owner. The late fee shall apply to late Housing Assistance Payments after the first two calendar months of the HAP contract term. Proof of “mailed to” date will be the date the HAP register was run.

Proof of “received by owner” will be 10 calendar days after date of mailing by SHA.

SHA will not be obligated to pay any late payment penalty if HUD determines that late payment is due to factors beyond SHA's control, such as a delay in the receipt of program funds from HUD.

**B. Rent Reasonableness Determinations [24 CFR 982.507]**

SHA will determine and document on a case-by-case basis that the approved rent is reasonable in comparison to rent for other comparable unassisted units in the market. SHA will not approve a lease until SHA determines that the initial rent to owner is a reasonable rent.

SHA must re-determine the reasonable rent:

1. Before any increase in the rent to owner;
2. If there is a 5 percent decrease in the published FMR in effect 60 days before the contract anniversary (for the unit size rented by the family) as compared with the FMR in effect one year before the contract anniversary;
3. If directed by HUD; and
4. Based on a need identified by SHA's auditing system.

SHA may elect to re-determine rent reasonableness at any other time.

At all times during the assisted tenancy, the rent to owner may not exceed the reasonable rent as most recently determined or redetermined by SHA.

The owner will be advised that by accepting each monthly housing assistance payment he or she is certifying that the rent to owner is not more than rent charged by the owner for comparable unassisted units in the premises.

If requested, the owner must give SHA information on rents charged by the owner for other units in the premises or elsewhere. The data for other unassisted units will be gathered from market surveys.

The market areas for rent reasonableness are census tracts/neighborhoods within SHA's jurisdiction. Subject units within a defined housing market area will be compared to similar units within the same area.

**Rent Reasonableness Methodology**

SHA bases its rent reasonableness determinations on current market surveys provided by an independent consultant with expertise in the local real estate market.

In addition, SHA may obtain information from other sources such as:

1. The state, city, real estate agents, or banks;
2. Classified ads, multiple listings, etc.; and
3. Owner -provided rent rolls of comparable units, confirmed by SHA.

SHA shall take the following unit characteristics into account in making rent reasonable determinations:

1. Size (number of bedrooms/square footage);
2. Location;
3. Quality and condition of the unit;
4. Amenities (number of bathrooms, washer/dryers, on site services, etc.);
5. Housing services;
6. Age of unit;
7. Unit type;
8. Maintenance; and
9. Utilities.

#### Change in Rent [CFR 982.308(g)]

The owner is required to notify SHA, in writing, at least 60 days before any change in the amount of rent to owner is scheduled to go into effect. Any requested change in rent to owner will be subject to rent reasonableness requirements [24 CFR 982.507].

#### **C. Payment Standards [24 CFR 982.503; Move to Work Agreement 1/13/99]**

The payment standard is used to calculate the Housing Assistance Payment for a family.

#### Basic Range: Up to 120 percent of HUD FMR

Consistent with SHA's authority to establish its own policies regarding payment standards (Move to Work Agreement dated January 13, 1999), SHA may set its payment standard between 90 percent and 120 percent of the HUD published Fair Market Rent (FMR). This is SHA's "basic range."

SHA reviews the appropriateness of the payment standard annually when the FMR is published. SHA will establish payment standard amounts for each unit size.

#### Accommodation Payment Standard

SHA may provide an accommodation payment standard for persons with disabilities under the following circumstances:

1. The family requests the accommodation in writing; and

2. The family provides verification of the disability meeting the standards described in Chapter 1, and the verification includes verification that the need for the higher payment standard is related to the disability.

The accommodation payment standard shall be established within the basic range, unless an increase beyond the basic range is approved by the SHA Board of Commissioners.

**D. Adjustments to Payment Standards** [24 CFR 982.503]

Decision Points in Review of Payment Standards

SHA will review the following factors at least annually, and consider increasing the voucher payment standard within the basic range for units of particular size when the following conditions are true:

1. More than 40 percent of families are paying more than 30 percent of monthly gross income for rent and utilities; and
2. More than 25 percent of new voucher holders with vouchers of a particular unit size fail to lease up within 60 days of issuance.

Program Not to Contract by More than 5 percent Without Board Authorization

If either of the above conditions prevails, SHA shall increase the payment standard within the basic range for units of different sizes, if it can do so within the allocated budget authority for the program without reducing the number of households served by the overall program by more than 5 percent.

SHA staff shall not increase the payment standard such that it causes the program to contract by more than 5 percent without specific authorization by the SHA Board of Commissioners.

Lowering of the Payment Standard

Lowering of the FMR may require an adjustment of the payment standard. In any case, the payment standard will not be set below 90 percent of the FMR without authorization by the SHA Board of Commissioners.