Seattle Housing Authority Market-Rate Voucher Payment Standard Proposal – Background and Impact Analysis
June 2018

Seattle Housing Authority (SHA) is considering changes to its Voucher Payment Standards (VPS). The proposed changes would increase payment standards for new voucher households in market-rate units as well as current voucher households in market-rate units that are rent burdened. Other voucher households would continue at current payment standards.

Introduction

Voucher Payment Standards (VPS) determine the maximum amount SHA will pay in Housing Assistance Payments (HAP) for Housing Choice Voucher (HCV) participants. In 2003, SHA obtained Moving to Work (MTW) authority from the U.S Department of Housing and Urban Development (HUD) to establish local Voucher Payment Standards. In setting payment standards, SHA continually seeks to balance serving the most people and providing assistance that is effective, taking into account changes in market conditions, cost factors for different types of vouchers, the circumstances of current voucher households and those on the waitlist, and overall cost impacts. As a result, SHA has made several revisions to the local VPS in recent years, including a change in 2016 to establish two voucher payment standards for Tenant-Based Vouchers (TBV): a Market-Rate Voucher Payment Standard (MR-VPS) when leasing in the private rental market and an Affordable Voucher Payment Standard (A-VPS) when leasing in income-restricted units in housing operated principally by non-profit or government agencies.

This change enabled SHA to increase the payment standards by 25 percent when setting the 2016 MR-VPS standards, which meant that about 20 percent of the inventory of Seattle market-rate units would be affordable to voucher holders. In the past two years, however, Seattle's market-rate rents have continued to increase and the buying power of the 2016 MR-VPS has eroded. Currently voucher-holders shopping for a market-rate unit have access to only about 9 percent of Seattle private-market rental units, while facing vacancy rates of roughly 2 to 3 percent. Lease-up success for Tenant-Based Vouchers is approximately 60 percent.

The proposal for a new approach to the Market-Rate Voucher Payment Standard is designed to target assistance to those who will likely benefit most; significantly improve access for Tenant-Based Vouchers holders to Seattle's private rental market; and provide flexibility to enable SHA to serve more people through the voucher program. This new approach to the payment standard for use in Market-Rate units would apply to Tenant-Based Vouchers that are newly issued, and also vouchers in use by existing households who are rent-burdened and therefore at increased risk of losing their housing. It does not address Tenant-Based payment standards for Affordable units, which are not presenting the same issues and challenges, or households in Market-Rate units that are not rent-burdened.

Background

SHA reviews Voucher Payment Standards annually, as outlined in the SHA Housing Choice Voucher (HCV) Administrative Plan, and has completed its review for 2018. As stated in SHA's approved 2016 MTW Plan and SHA's HCV Administrative Plan, SHA uses a variety of local market factors when analyzing affordability adjustments. These include:

- Vacancy rates
- Rent burden of current voucher-holders
- Rent burden relative to availability of units by bedroom size
- Average gross rent paid by current voucher-holders
- Current HUD Fair Market Rents (FMR)
- Rent reasonableness data
- Shopping success rates for voucher-holders
- Location of current voucher rentals

In addition, SHA may also consider other factors including but not limited to:

- Availability of private sector rental units by bedroom size at various levels of FMR
- Increase in the number of low-income households served by the Tenant Based HCV program that would not otherwise be served
- Circumstances of non-profit and public sector affordable housing providers and private sector rental market owners, as their financial structures, incentives, and requirements may differ
- SHA Port-Out policies
- Opportunities to increase access by families with children to neighborhoods with amenities for families where voucher-holders have not traditionally had substantial access

SHA has used MTW to adopt a definition of rent-burdened households as those spending more than 40 percent of their gross income on rent and utilities. Of the 1,751 Tenant-Based Voucher holders currently renting in the private market, 88 percent are not rent-burdened, while 12 percent are rent-burdened, paying more than 40 percent of their gross income in rent and utilities. This includes those paying at or below the $50 minimum for rent and utilities.

SHA performed equity impact analyses of several alternatives for Market-Rate Voucher Payment Standards to identify potential disparate impacts of different policies. SHA also performed financial analyses to assess comparative cost impacts. The following is SHA staff's recommended option for a revised Market-Rate Voucher Payment Standard.

2018 Market-Rate Voucher Payment Standard Proposal

SHA currently administers two Tenant-Based Voucher Payment Standards: Market-Rate for those renting in the private rental market and Affordable for those renting subsidized and rent-restricted units. This proposal addresses only Market-Rate VPS (MR-VPS), which is the area of greatest need.

A new MR-VPS would be set at 100 percent of the final 2018 HUD FMRs for all bedroom sizes. The new MR-VPS would be an increase of about 24 percent above the current VPS, which was adopted in May 2016. This change would expand access by TBV households to market-rate units in the private rental market from an estimated 9 percent currently to an estimated 33 percent, nearly quadrupling the number of units accessible to voucher holders.

Households to whom the new Market Rate VPS would apply upon implementation of the new rate include:

- Rent-Burdened Households (defined as paying 40 percent or more of gross income in rent and utilities):
  - In Existing Units: Households already rent-burdened while residing in market-rate units and households who become rent-burdened while residing in market-rate units. This includes households with zero income who pay the minimum of $50 or less toward rent and utilities.
  - Moving with Continued Assistance: Households moving with continued assistance into a market-rate unit that would result in the household becoming rent-burdened.
- Households Newly Issued a Voucher: All households newly receiving a voucher, or shopping with a voucher but not yet leased, that lease a market-rate unit.

Until TBV households currently leased in Market-Rate units meet one of the criteria outlined above they will continue to receive the VPS set by the 2016 MR-VPS.

SHA will modify the HCV Administrative Plan and any other applicable policies and procedures necessary to implement the above provisions. SHA will also continue to assess payment standards every year.

Impact Analysis

SHA anticipates that increasing the local voucher payment standard for new voucher holders and existing voucher holders that are rent burdened in market-rate units will not result in an increase in rent for any tenants. The higher payment standards will instead increase buying power and reduce rent burden.

Currently 12 percent of market-rent voucher households (214 households) are rent burdened, defined as spending more than 40 percent of their gross income on rent and utilities. These currently rent-burdened households would be eligible for the higher payment standards. Voucher households in the private market that are not currently rent-burdened but become rent-burdened in the future would also be eligible for the higher payment standards.

The initial payment standard will be initially set at 100 percent of HUD's 2018 Fair Market Rents. The following table illustrates the increased payment standards for 2018 compared to current payment standards, but SHA will continue to reassess payment standards each year.

Voucher Bedroom Size	Current Market-Rate Voucher Payment Standard	Proposed 2018 Market-Rate Voucher Payment Standard
0	$1,050	$1,363
1	$1,225	$1,529
2	$1,525	$1,878
3	$2,220	$2,719
4	$2,620	$3,219
5	$3,010	$3,702
6	$3,400	$4,185

SHA conducted an analysis to determine which groups would be most impacted by this change based on various household attributes including income level, race, ethnicity, gender, household size, and household type. The analysis found that extremely low-income households, single households, and adult-only households are most likely to immediately benefit from the higher payment standards. These groups are overrepresented among both currently rent-burdened households (compared to current households that are not rent-burdened) and households on the voucher waiting list (compared to currently served households). The analysis did not find significant differences in impact based on race/ethnicity, gender, or nationality.