

CITY OF MADISON
INTER-DEPARTMENTAL
CORRESPONDENCE

DATE: October 6, 2011

TO: Natalie Erdman, CDA Executive Director

FROM: Tom Conrad, Rent Assistance Program Supervisor

SUBJECT: 2012 Payment Standards Impact

Section 8 Payment Standards

On September 30, 2011 HUD published new Fair Market Rents, (FMRs) effective October 1, 2011. HUD says, "In general, the FMR for an area is the amount needed to pay the gross rent (rent plus utilities) of privately owned, decent, and safe rental housing of a modest nature with suitable amenities." In the Section 8 Housing Choice Voucher, (HCV) program, the FMR is the basis for determining the "payment standard amount".

Payment standards are the maximum subsidy CDA will pay toward a family's housing costs. Payment Standards must be set within the "basic range", between 90% and 110% of HUD's FMRs. Families who choose to rent units below the payment standard generally pay 30% of their income toward rent and utilities and CDA pays the rest. Families may choose units that cost more than the payment standard but if they do, they pay the difference in addition to 30% of their income. However, if payment standards are lowered, current participants are not affected for at least one year or until they move.

Proposed Payment Standards for 2012

CDA has generally set payment standards at or near the highest amounts allowed by HUD; (110% of FMR). The CDA's strategy has been to maximize the opportunity for current participants to choose housing throughout the City of Madison and to make sure that all voucher holders succeed in finding housing. However, setting high payment standards results in higher costs per unit. This lowers the number of families CDA can assist. HUD does not provide sufficient funding to subsidize all the vouchers that CDA is authorized to issue. CDA is currently serving only 90% of the 1766 units HUD has authorized. Setting Payment Standards at 100% of the 2012 FMRs would reduce per unit costs and so allow CDA to give out new vouchers to assist additional families. We project boosting utilization to 96% by serving 110 additional families.

We propose to reduce the payment standards to 100% of the Fair Market Rents for 2012 as follows:

Bedroom Size	Single Room(SRO)	efficiency	1	2	3	4	5	6
2011 Payment Standards	\$473	\$631	\$788	\$931	\$1,249	\$1,547	\$1,779	\$2,011
2012 Fair Market Rent(FMRs)	\$441	\$588	\$733	\$867	\$1,164	\$1,441	\$1,657	\$1,873
2012 Payment Standards	\$441	\$588	\$733	\$867	\$1,164	\$1,441	\$1,657	\$1,873
2011-2012 Difference	32	43	55	64	85	106	122	138

Impact Analysis of 2012 Proposed FMR

After analyzing the impact this change would have on each participating Section 8 Voucher family, we found households stratified into three categories:

Group 1: *Already above the 2011 Payment Standard*

Households in units over the current CDA payment standard would pay the entire difference between the current and the proposed payment standard.

Group 2: *Below the 2011 but above the 2012 proposal*

Households in units below the CDA payment standard but above the proposed payment standard would pay the difference between the gross rent and the new payment standard

Group 3: *Below the 2012 proposal*

Households in units below the 2011 payment standards and below the proposed payment standards would not be affected by the change.

Household Category	Percentage of CDA households in this category	Average Increase to Monthly Rent
Group 1	35.5%	\$88
Group 2	32.5%	\$47
Group 3	32.0%	\$0

Savings available to assist 110 new families

Savings per month under revised payment standards	Additional Households potentially served
\$68,386/ month	110 (based on average unit cost of \$620)

Timing and Implementation

Families would have at least one year to decide whether they wanted to move to a less expensive unit to avoid a rent increase. The new, lower payment standard does not apply to current voucher families who have already leased under the higher standard until their second annual reexamination after the payment standard is lowered, unless the family moves to a new unit.