

CITY OF MADISON
INTER-DEPARTMENTAL
CORRESPONDENCE

DATE: October 2, 2014
To: CDA Board
From: Agustin Olvera
Subject: Housing Choice Voucher Payment Standards

HUD recently published the proposed 2015 Fair Market Rents for Madison/Dane County. The final FMR numbers will be coming out soon, but historically have been the same as the proposed. The Fair Market Rents (FMR's) are established by HUD based on the local rental market. HUD establishes FMR's at the 40th percentile of local rents. HUD feels this allows families to rent a decent but not luxurious unit. Housing Authorities are allowed to set their Payment Standards (maximums rents allowed) anywhere from 90 to 110% of HUD's annually published FMR's.

Historically, the CDA used to follow the FMR's established by HUD. In the early 2000's there was some concern that as a high rent area that the CDA should exceed the FMR's. Also in 2002, the CDA had several hundred vouchers not in use. This was a combination the CDA's inability to administratively issue the vouchers, and that a number of vouchers issued were being returned because the voucher holder could not find a landlord to rent to them. By 2003 however the CDA was able to issue all available vouchers and voucher holders were able to find landlords to rent to them. The CDA was able to improve its program administration and worked successfully with the Apartment Association to recruit more landlords to accept vouchers.

The goal of maximizing voucher utilization has been important but another goal has been the dispersion of vouchers. HUD urges that vouchers be dispersed and not concentrated. The City has also long encouraged this with its Fair Share Ordinance, requiring efforts be made to disperse low income housing throughout the City. In mid 2000's the CDA raised its payment standards to 110% of the FMR's and kept it there for many years. This coupled, with more landlords accepting vouchers, and increased housing development which meant higher vacancy rates, allowed for a wide dispersion of voucher holders throughout the city, especially to the City's westside.

In 2012 the CDA opted not to increase the payment standards in order to try and serve more residents. This should have helped to serve more but in 2013 the federal budget sequestration meant less funding and so the CDA was not able to serve more. The sequestration also made it difficult to plan for utilization because of the uncertainty of funding.

Now in 2014 funding is back to a more normal level, however locally the housing market has tightened with very low vacancy rates. The CDA payment standards have not been increased for several years now and there is an upward trend in rent levels. Also, the Dane County Housing Authority has increased their payment standards.

It is with this background that the CDA staff is recommending the following payment standards.

RECOMMENDED PAYMENT STANDARD

	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
2015 HUD Proposed FMR	640	766	928	1280	1426
CDA current Payment Standard	588	733	867	1164	1441
difference	52	33	61	116	15
CDA current as a % of 2015 FMR	91.9%	95.7%	93.4%	90.9%	101.1%
CDA proposed at 106% of 2015 FMR)	682	816	987	1362	1518
Increase from Current	94	83	120	198	77

The above payment standard is the same as DCHA and will eliminate the confusion and problems which arise when program participants “port in” to the City of Madison and find that our payment standard was different. Staff are also concerned that 1) program participants may have trouble finding places to rent if payment standards are too low, and become temporarily “homeless” 2) they may start to get concentrated into certain neighborhoods, counteracting efforts at dispersion 3) might only be able to afford the physically poorer rental units 4) and if participants can’t use their vouchers in a timely fashion they could end up losing their assistance.

Additionally, landlords who are leasing to voucher holders now, might not participate because the CDA payment standards are not keeping up with the market. Also with higher payment standards in the County, program participants may port out to Dane County, and lower CDA’s utilization, budget authority and administrative fees earned. CDA staff feels the 106% level is a suitable increase and may also be good for 2016 depending on the local market conditions and federal funding. Again, it also eliminates administrative issues with DCHA port ins.