

FOR ACTION

MOTION: To Adopt Payment Standards for the Section 8 Housing Choice Voucher Program for Oahu Zip Codes Where the U.S. Department of Housing and Urban Development Has Required the Use of Small Area Fair Market Rent Effective April 1, 2018; and to Authorize the Executive Director to Adjust the Payment Standards Between 90% and 110% Based on Projected Housing Assistance Funding Shortfall, with Adequate Notice to Program Participants

I. FACTS

- A. Small Area Fair Market Rents (SAFMR) exist because of a Fair Housing lawsuit against the U.S. Department of Housing and Urban Development (HUD) that was filed in 2009 and settled by HUD in 2010. In 2010, only 1 in 5 families with children used Housing Choice Voucher (HCV) in low-poverty neighborhood (<10% poverty). Given the importance of neighborhood quality for a child's life outcomes, HUD needed a more effective strategy.
- B. The lawsuit alleged that use of metropolitan areawide Fair Market Rents (FMR) tended to concentrate very low-income families in neighborhoods with the worst housing, schools and job opportunities. Since the lawsuit was settled in 2010, HUD permitted other PHAs to "opt in" to SAFMR and several did so (Cook County, IL, Seattle, WA). Subsequently, HUD published a rule in 2016 requiring that PHAs in large metropolitan areas begin using SAFMR.
- C. On August 11, 2017, HUD Secretary Ben Carson issued a notice which suspended the SAFMR rule and delayed implementation for two years. Five civil rights organizations representing three plaintiffs sued HUD over the suspension, asserting that suspension of the Small Area FMR rule was unlawful because HUD failed to follow Administrative Procedure Act rules requiring public comment and because HUD failed to provide sufficient justification for the suspension as specified in the SAFMR rule. On December 23, 2017, the U.S. District Court for the District of Columbia granted a preliminary injunction against HUD, finding that HUD did not have the authority or compelling reasons to suspend implementation and ruled that HUD must implement the SAFMR no later than April 1, 2018.
- D. Recognizing that a SAFMR policy will involve some increase in complexity of administering the voucher program, HUD sought to exclude many small

PHAs by only applying SAFMR in metropolitan areas with at least 2500 vouchers. HUD also sought to apply the program in areas where the concentration of voucher tenants in high-poverty/low-income neighborhoods exceeded national averages, and where there are sufficient numbers of rental units available in neighborhoods with rents higher than the top of the payment standard "basic range" around the metro FMR (more than 110 percent of the metro FMR) so that SAFMR could be a workable solution for alleviating voucher tenant concentration in high-poverty areas.

- E. HUD issued the zip code based FMR for Oahu on February 20, 2018 under the Federal Register Notice, Vol. 83, No. 34.

II. DISCUSSION

A. Impact on the Families

1. The SAFMR rule establishes zip code-based FMR instead of FMR covering an entire metropolitan area. This means in high-rent areas, the FMR is higher thus creating an incentive for families to move to a neighborhood with better schools, amenities, or more job opportunities. It also means that in low-rent areas, the voucher payment standard is lower because rents are not comparable to the high-rent areas within the larger metropolitan area.
2. The effect on the families who choose to stay in a zip code where the FMR has been reduced will be to increase his/her share of the rent at the second re-certification after HPHA lowers the payment standards. The reason why units in the least desirable zip codes would experience rent increases is that the payment standard caps the level of subsidy the unit will receive, the subsidy will be lower and the families share will increase.
3. The balance between more housing choices in high- and medium-rent zip codes and fewer options in low-rent zip codes will determine whether a family has more or fewer housing options in aggregate. Zip codes with higher concentrations of low-rent housing can lead to fewer overall options for families, even if the options they have are better.
4. The cost neutrality of the SAFMR is rooted in cutting voucher payment standards in low-rent neighborhoods if families choose to remain there with lower subsidies. The Proposed Rule maintains the existing requirement that payments standards for families who do not move cannot decrease until the second annual recertification after the payment standard is decreased. Additionally, exception

payments standards as reasonable accommodations for disabled participants are not affected by the Proposed Rule.

- B. Due to HUD's late issuance of the SAFMR for Oahu, the HPHA will need to retroactively apply the SAFMR to make them effective April 1, 2018.
- C. In order to implement the SAFMR, HPHA is required to collect intensive amount of data and analysis.
 - 1. HPHA must develop and issue new voucher payment standards for all zip codes on Oahu;
 - 2. Section 8 Administrative Plan must be updated;
 - 3. Staff must be trained (and practiced/rehearsed) on a new approach;
 - 4. Orientation briefing materials for New Admission and Move with Continued Assistance must be revised/updated;
 - 5. The current software (Emphasys) must be updated to support the new calculations;
 - 6. Materials describing SAFMR must be distributed to current housing providers;
 - 7. Staff must prepare for every reexamination of a family living in a zip code where the new payment standards is being reduced by calculating the amount by which the family's rent will increase at the next re-certification (the families will be notified at the first re-certification, giving them one year to find a unit in a different zip code); and
 - 8. Materials must be created to reflect the SAFMR information.
- D. Summary of Fiscal Impact
 - 1. The fiscal impact of the required adoption of Small Area Fair Market Rents could result in an increase to housing assistance payment outlays in the program. The driver of this possibility is whether current families choose to move to zip code neighborhoods with higher payment standards at the end of their current lease terms. The factors driving this choice will be affected by varying family dynamics as well as the availability of landlords in higher rent zip codes who will accept voucher families.
 - 2. Currently, many owners refuse to lease to families with section 8 housing choice vouchers.
 - 3. If a significant number of families choose to move to zip codes with higher payment standards, and Congress does not increase appropriations for HAP subsidies, the program will shrink over time in most of the United States metro areas. As families leave the program we will not be able to issue new vouchers to waiting list

families. In other words, we may be assisting fewer families going forward while those families assisted may well be living in better neighborhoods.

E. Calculation of Payment Standard

1. In order to avoid the issuance of 22 different payment standards for Oahu, staff combined various zip codes that were close in SAFMR and payment standards. Staff also analyzed the areas where participants currently reside and the potential impact to the tenants, landlords, and overall program participation.
2. The resulting combination of zip codes yielded fewer groups of payment standards for the island of Oahu. Combining the zip codes will create less confusion amongst program participants and landlords currently participating in the program.

III. RECOMMENDATION

To Adopt Payment Standards for the Section 8 Housing Choice Voucher Program for Oahu Zip Codes Where the U.S. Department of Housing and Urban Development Has Required the Use of Small Area Fair Market Rent Effective April 1, 2018; and to Authorize the Executive Director to Adjust the Payment Standards Between 90% and 110% Based on Projected Housing Assistance Funding Shortfall, with Adequate Notice to Program Participants

Attachment:

1. Urban Honolulu, HI MSA Small Area FY 2018 Fair Market Rents, Issued by HUD, February 20, 2018
2. Summary of Proposed Payment Standard
3. Detailed Payment Standard

Prepared by: Katie Pierce, Section 8 Branch Chief KD

Approved by the Board of Directors
of the Date Set Forth Above

Pono Shim, Chairperson



FY2018 ADVISORY SMALL AREA FMRs FOR HONOLULU COUNTY, HI

In metropolitan areas, HUD defines Small Areas using ZIP Codes within the metropolitan area. Using ZIP codes as the basis for FMRs provides tenants with greater ability to move into "Opportunity Neighborhoods" with jobs, public transportation, and good schools. They also provide for multiple payment standards within a metropolitan area, and they are likely to reduce need for extensive market area rent reasonableness studies. Lastly, HUD hopes that setting FMRs for each ZIP code will reduce overpayment in lower-rent areas.

Honolulu County is part of the **Urban Honolulu, HI MSA**.

Honolulu County, HI Advisory Small Area FMRs By Unit Bedrooms

ZIP Code	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
<u>96701</u>	\$1,370	\$1,550	\$2,060	\$2,990	\$3,570
<u>96706</u>	\$1,460	\$1,650	\$2,190	\$3,190	\$3,800
<u>96707</u>	\$1,550	\$1,750	\$2,330	\$3,390	\$4,050
<u>96709</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96712</u>	\$1,690	\$1,910	\$2,540	\$3,700	\$4,410
<u>96717</u>	\$1,340	\$1,510	\$2,010	\$2,920	\$3,490
<u>96730</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96731</u>	\$1,380	\$1,550	\$2,070	\$3,010	\$3,590
<u>96734</u>	\$1,640	\$1,860	\$2,470	\$3,590	\$4,290
<u>96744</u>	\$1,320	\$1,490	\$1,980	\$2,880	\$3,430
<u>96759</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96762</u>	\$1,330	\$1,500	\$1,990	\$2,900	\$3,460
<u>96782</u>	\$1,470	\$1,660	\$2,210	\$3,210	\$3,830
<u>96786</u>	\$1,610	\$1,820	\$2,420	\$3,510	\$4,190

Honolulu County, HI Advisory Small Area FMRs By Unit Bedrooms					
ZIP Code	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
<u>96789</u>	\$1,550	\$1,750	\$2,330	\$3,390	\$4,040
<u>96791</u>	\$1,440	\$1,620	\$2,160	\$3,140	\$3,740
<u>96792</u>	\$1,200	\$1,340	\$1,780	\$2,600	\$3,130
<u>96795</u>	\$1,200	\$1,340	\$1,780	\$2,600	\$3,130
<u>96797</u>	\$1,340	\$1,520	\$2,020	\$2,940	\$3,500
<u>96801</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96802</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96803</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96804</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96805</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96806</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96807</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96808</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96809</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96810</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96811</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96812</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96813</u>	\$1,290	\$1,460	\$1,940	\$2,820	\$3,360
<u>96814</u>	\$1,420	\$1,600	\$2,120	\$3,090	\$3,690
<u>96815</u>	\$1,660	\$1,870	\$2,490	\$3,620	\$4,310
<u>96816</u>	\$1,250	\$1,420	\$1,880	\$2,740	\$3,270
<u>96817</u>	\$1,200	\$1,340	\$1,780	\$2,600	\$3,130
<u>96818</u>	\$1,780	\$2,010	\$2,680	\$3,900	\$4,650
<u>96819</u>	\$1,240	\$1,400	\$1,870	\$2,710	\$3,240
<u>96820</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520

Honolulu County, HI Advisory Small Area FMRs By Unit Bedrooms					
ZIP Code	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
<u>96821</u>	\$1,780	\$2,010	\$2,680	\$3,900	\$4,650
<u>96822</u>	\$1,290	\$1,460	\$1,940	\$2,820	\$3,360
<u>96823</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96824</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96825</u>	\$2,030	\$2,290	\$3,050	\$4,430	\$5,290
<u>96826</u>	\$1,210	\$1,370	\$1,820	\$2,650	\$3,170
<u>96828</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96830</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96836</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96837</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96839</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96850</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96853</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96857</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96859</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96860</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96861</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<u>96863</u>	\$1,350	\$1,530	\$2,030	\$2,950	\$3,520
<p> HUD Home Page HUD User Home Data Sets Fair Market Rents Section 8 Income Limits FMR/IL Summary System Multifamily Tax Subsidy Project (MTSP) Income Limits HUD LIHTC Database </p> <p>Technical Problems or questions? Contact Us.</p>					

HAWAII PUBLIC HOUSING AUTHORITY
HOUSING CHOICE VOUCHER MULTI - TIERED PAYMENT STANDARDS
Effective April 1, 2018

(Rev. 3/15/18)

TIER	ZIP CODES	BEDROOM SIZE								
		0	1	2	3	4	5	6	7	8
Tier 1	96825	\$1,827	\$2,061	\$2,745	\$3,987	\$4,761	\$5,476	\$6,190	\$6,904	\$7,618
Tier 2	96818 96821	\$1,602	\$1,809	\$2,412	\$3,510	\$4,185	\$4,813	\$5,441	\$6,069	\$6,696
Tier 3	96706 96707 96712 96734 96782 96786 96789 96791 96814 96815	\$1,521	\$1,719	\$2,286	\$3,330	\$3,969	\$4,565	\$5,160	\$5,756	\$6,351
Tier 4	96701 96802 96812 96836 96709 96803 96813 96837 96717 96804 96816 96839 96730 96805 96819 96850 96731 96806 96820 96853 96744 96807 96822 96857 96759 96808 96823 96859 96762 96809 96824 96860 96797 96810 96828 96861 96801 96811 96830 96863	\$1,364	\$1,540	\$2,057	\$2,981	\$3,564	\$4,098	\$4,633	\$5,168	\$5,702
Tier 5	96792 96795 96817 96826	\$1,320	\$1,474	\$1,958	\$2,860	\$3,443	\$3,959	\$4,475	\$4,992	\$5,508