

## CHAPTER 9

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

#### 9.0 INTRODUCTION

This chapter describes the HA's policies regarding the determination of rent reasonableness, payments to owners, and adjustments to the Payment Standard. The policies in this chapter pertain to Moving to Work and non-Moving to Work families.

#### 9.1 RENT REASONABLENESS DETERMINATIONS

**24 CFR 982.507 (b):** “The PHA must determine whether the rent to owner is a reasonable rent in comparison to rent for other comparable unassisted units. To make this determination, the PHA must consider:

- (1) The location, quality, size, unit type, and age of the contract unit; and**
- (2) Any amenities, housing services, maintenance and utilities to be provided by the owner in accordance with the lease.”**

##### **MTW Plan:**

**The HA “will eliminate the HUD requirement to re-determine the rent reasonableness of affected units within 60 days of the contract anniversary date when HUD reduces FMRs by 5% or more.”**

##### **Policy:**

The HA will use an internet-based rent reasonability database provided by a third party vendor to:

- Establish and document the rent reasonableness determination, and
- Generate and maintain a database of market-based comparable units.

The database uses an automated valuation model to identify and compare the program unit to the most similar private market rental property units within a specific geographic radius, drawing on a database of non-subsidized comparables and current property listings.

The database uses eight comparability factors: location, size, type, quality, and any amenities, housing services, maintenance, and utilities provided by the owner. The rent reasonableness system will make automatic adjustments to comparable units based on variations between the subject unit and the comparable unit.

When the rent reasonableness for a single-room occupancy (SRO) unit cannot be determined due to insufficient comparable units available in the rent reasonability database, the HA will use 0.75 times the reasonable rent for a comparable studio unit to determine the reasonable rent of an SRO unit.

## 9.2 MANUFACTURED HOME RENT REASONABLENESS DETERMINATIONS

**24 CFR 982.622 (b)(2):** “The PHA may not approve a lease for a manufactured home space until the PHA determines that the initial rent to owner for the space is a reasonable rent. At least annually during the assisted tenancy, the PHA must re-determine that the current rent to owner is a reasonable rent.”

### **MTW Plan:**

The HA will “eliminate the HUD requirement that a PHA must annually re-determine that the current rent to owner is reasonable for a manufactured home space.”

### **Policy:**

SCCHA will determine rent reasonableness at move-in and following any rent adjustment request. SCCHA will perform manufactured home space rent reasonableness determinations in the same manner as it does for other housing types in the HCV program.

## 9.3 MAKING PAYMENTS TO OWNERS

**24 CFR 982.311 (a):** “*Payments under HAP contract.* Housing assistance payments are paid to the owner in accordance with the terms of the HAP contract.”

### **Policy:**

Under special circumstances and with prior approval, checks may be made available for owners to pick up in person at the HA with proper identification.

Checks that are not received will not be replaced until the payee has made a request and a stop payment has been placed on the check.

#### 9.4 **PAYMENT STANDARDS**

**24 CFR 982.503 (b) (1) (i):** “The PHA may establish the payment standard amount for a unit size at any level between 90 percent and 110 percent of the published FMR for that unit size.”

**PIH Notice 2013-18:** “The HUD Field Office Public Housing Director can approve exception payment standards above 110 percent to 120 percent of the FMR as a reasonable accommodation in accordance with 24 CFR 982.503 (c)(2)(ii). Only HUD Headquarters may waive 24 CFR 982.505 (d) to allow the PHA to approve any exception payment standards higher than 120 percent of the FMR as a reasonable accommodation.”

##### **MTW Plan:**

**The HA will “forego the final step (HUD approval)” and “make the final determination whether to approve any documented and reasonable exception payment standard.”**

**The HA will “give its Board of Commissioners authority to approve a county-wide payment standard of up to 130 percent of the FMR without prior HUD approval.”**

##### **Policy:**

The HA will review payment standards annually, after it receives notification of its annual HCV budget authority. If there is a 10% or more difference between payment standards and current average open market rents for any bedroom size, staff will prepare a cost analysis with options to revise the payment standard, with a goal of maintaining 95% funding utilization.

The Executive Director may approve payment standards up to 110% of the FMR. The Board of Commissioners must approve payment standards above 110% up to 130% of FMRs.

The HA may additionally consider the following factors in establishing the payment standards:

- Financial Impact
- Rent burden of participating families
- Quality of units selected
- Changes in rent to owner
- Unit availability
- Expanding housing opportunity

MTW Participants: The HA will review and approve reasonable accommodation requests for an exception payment standard exception.

Non-MTW participants: Requests for an exception payment standard above 110% of the FMR will be reviewed and approved by HUD in accordance with PIH Notice 2013-18.

## 9.5 RENT ADJUSTMENTS

**24 CFR 982.308 (g)(4): “The owner must notify the PHA of any changes in the amount of the rent to owner at least sixty days before any such changes go into effect, and any such changes shall be subject to rent reasonableness requirements.”**

### **MTW Plan:**

The HA will “impose a freeze on any owner requests to increase their contract rents for a one year period [...and] the decision on whether and when to implement any future freezes would be subject to the HA’s Board of Commissioners’ consideration and approval.”

In response to an owner-requested rent adjustment, the HA will not reduce the contract rent except when “the HUD-issued Fair Market Rents for the applicable bedroom size have dropped by 10% or more since the unit’s last rent reasonableness review.”

### **Policy:**

The HA will not accept rent adjustment requests more than 4 months prior to the requested effective date.

The HA will not approve more than one contract rent increase per contracted unit within a 12-month period from the date of the last contract rent increase.

MTW Participants: The HA will not reduce the contract rent unless the Fair Market Rent has dropped by 10% or more since the last rent adjustment.

## 9.6 LOYALTY PAYMENTS

**24 CFR 982.311 (d) (1): “If the family moves out of the unit, the PHA may not make any housing assistance payment to the owner for any month after the month when the family moves out.”**

**MTW Plan:**

**The HA will provide loyalty payments, “to HCV program owners who re-rent their unit to an HCV participant, each time the unit is re-rented to an HCV participant. The amount will be set between \$500 and \$1500.”**

**Policy:**

MTW Participants: Payments in the amount of \$1,500, will be made to participating owners who re-lease a vacant unit to an MTW HCV tenant if:

- The unit was previously occupied by a Section 8 tenant; and,
- The Request for Tenancy Approval (RFTA) for the new tenant is received within 90 days from the date that the last HCV tenant vacated the unit.

Shared Housing: An owner will be issued a loyalty payment for a shared housing unit using the following calculation:  $(\$1500 / \text{total bedrooms in unit}) \times (\text{family's subsidy size.})$

PBV and Mod Rehab: For Vacancy/ Loyalty Payment information, see Chapters 16 and 17, respectively

Non-MTW Participants: The HA will not provide loyalty payments to participating owners who re-lease a vacant unit to a non-MTW HCV tenant.

**9.7 BONUS PAYMENTS**

**24 CFR 982.311 (a): “Payments under HAP contract. Housing assistance payments are paid to the owner in accordance with the terms of the HAP contract. Housing assistance payments may only be paid to the owner during the lease term, and while the family is residing in the unit.”**

**24 CFR 982.311 (d): “Family move-out. (1) If the family moves out of the unit, the PHA may not make any housing assistance payment to the owner for any month after the month when the family moves out.”**

**MTW Plan:**

**The HA will provide “new owners who rent their unit to an HCV participant [with] a one-time bonus payment of between \$500 and \$2,500...equal to the amount of the unit’s one month’s rent, not to exceed \$2,500. The bonus payment amount will be reviewed annually and included in the Section 8 Administrative Plan. Staff will evaluate several factors prior to determining the annual bonus payment amount, including: County vacancy rates, open market rental costs and the amount of participants shopping for housing.”**

**Policy:**

MTW Participants: A one-time bonus payment, equal to the unit's approved monthly contract rent, between \$500 and \$2,500 (units where the monthly rent exceeds \$2,500 will receive the maximum bonus payment of \$2,500; units where the monthly rent is below \$500 will receive the minimum bonus payment of \$500) will be made to new owners who rent units to an MTW HCV participant if:

- The owner has not previously rented a unit to a tenant receiving assistance under any Section 8 program before.

This does not apply to the following programs: PBV, Enhanced, Mainstream, VASH and Mod-Rehab.

Non-MTW Participants: The HA will not provide bonus payments to participating owners who rent a unit to a non-MTW participant.