



# CITY OF LONG BEACH

DEPARTMENT OF HEALTH AND HUMAN SERVICES

**HOUSING AUTHORITY**  
of the City of Long Beach

521 E. 4<sup>TH</sup> STREET • LONG BEACH, CALIFORNIA 90802 • (562) 570-6985 • FAX: (562) 499-1052

November 13, 2012

**AGENDA ITEM 6**

HONORABLE HOUSING AUTHORITY COMMISSION  
City of Long Beach  
California

## RECOMMENDATION:

Adopt the attached resolution amending Chapter 11, Section E, of the Housing Authority Administrative Plan, relative to Payment Standards for the Housing Choice Voucher Program. (Citywide)

## DISCUSSION

Currently stated in the Administrative Plan, the Housing Authority's payment standard "shall be the same as the Fair Market Rent (FMR) as published by the U.S. Department of Housing and Urban Development (HUD)" every year (Chapter 11, Section E). Currently, the Housing Authority uses the metropolitan area FMR Los Angeles-Long Beach information as published by HUD to determine the payment standards. In September of this year, the Housing Authority was approached by HUD to participate in a nation-wide study called the "Small Area Fair Market Rent (SAFMR)" Demonstration Program. This Demonstration Program will use fair market rents based and broken down by city zip codes and not geographic wide metropolitan areas. By using the SAFMR information provided by HUD, the Housing Authority's payment standard will be based on HUD's analysis of Long Beach data by zip code rents that are more reflective of the Long Beach community.

According to HUD, the purpose of this four-year Demonstration Program is to learn more about the effects of using Small Area Fair Market Rents, which are designed to enable voucher tenants access to more units in neighborhoods of opportunity where jobs, transportation and educational opportunities exist. Depending on HUD's analysis of this study, SAFMRs may become the standard used across the country.

At this time, staff is requesting authorization to make changes to Chapter 11, Section E, of the Housing Authority of the City of Long Beach Administrative Plan as shown on the attached resolution. These proposed changes provide that while the Housing Authority is participating in the Demonstration Program, the payment standard will be equal to the SAFMR for each market area.

This matter was reviewed by Deputy City Attorney Linda Trang on October 23, 2012 and Budget and Performance Management Officer Victoria Bell on October 26, 2012.

TIMING CONSIDERATIONS

The Housing Authority plans to participate in the Demonstration Program and implement the new SAFMRs as the Housing Authority's payment standard within the next few weeks.

FISCAL IMPACT

There is no fiscal impact or local job impact associated with this proposed action. The funds for the Housing Choice Voucher Program are all from HUD and no General Funds are used to support the program. In addition, by participating in this study, there is no expected adverse effect to the Housing Authority's budget.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

APPROVED:

  
\_\_\_\_\_  
RONALD R. ARIAS  
ASSISTANT EXECUTIVE DIRECTOR

  
\_\_\_\_\_  
PATRICK H. WEST  
EXECUTIVE DIRECTOR

- Attachments: 1. HACLB Administrative Plan Resolution  
2. HACLB Administrative Plan Tracked Redline Changes

OFFICE OF THE CITY ATTORNEY  
ROBERT E. SHANNON, City Attorney  
333 West Ocean Boulevard, 11th Floor  
Long Beach, CA 90802-4664

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RESOLUTION NO. H.A. \_\_\_\_\_

A RESOLUTION OF THE HOUSING AUTHORITY  
OF THE CITY OF LONG BEACH, CALIFORNIA,  
AMENDING CHAPTER 11, SECTION E OF THE  
ADMINISTRATIVE PLAN, RELATIVE TO PAYMENT  
STANDARDS FOR THE CHOICE VOUCHER PROGRAM

WHEREAS, the U. S. Department of Housing and Urban Development  
("HUD") requires that housing authorities receiving grants from the federal government  
adopt an administrative plan for the Section 8 Housing Assistance Payments Program  
operated by housing authorities (the "Administrative Plan"); and

WHEREAS, the Administrative Plan states that the Housing Authority's  
payment standard shall be the same as the Fair Market Rent (FMR) as published by the  
U.S. Department of Housing and Urban Development (HUD); and

WHEREAS; currently, the Housing Authority uses the metropolitan area  
FMR Los Angeles-Long Beach information as published by HUD to determine the  
payment standard; and

WHEREAS, the Housing Authority was approached by HUD to participate  
in a nation-wide study called the Small Area Fair Market Rent (SAFMR) Demonstration  
Program, which will use fair market rents based and broken down by zip codes and not  
geographic wide metropolitan areas; and

WHEREAS, Chapter 11, Section E of the Administration Plan needs to be  
revised to reflect that while the Housing Authority is participating in the Demonstration  
Program, the payment standard will be equal to the SAMFR for each market area;

NOW, THEREFORE, the Housing Authority of the City of Long Beach,  
California resolves as follows:

Section 1. The administrative plan adopted October 10, 1995 as

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1 Resolution H.A. 5-95 ("Administrative Plan") and amended from time to time is further  
2 amended by replacing Chapter 11 in its entirety with Exhibit "A" attached to this  
3 resolution.

4 Section 2. The Administrative Plan, as revised herein, shall continue to  
5 be the policy of the Housing Authority of the City of Long Beach, California for the Section  
6 8 Housing Assistance Payments Program.

7 Section 3. The Clerk will certify to the passage of this resolution by the  
8 Housing Authority of the City of Long Beach, California, and it will immediately take  
9 effect.

10 I certify that the foregoing resolution was adopted by the Housing Authority  
11 of the City of Long Beach, California, at its meeting of \_\_\_\_\_, 20\_\_\_\_, by the  
12 following vote of the qualified members of the Authority:

13  
14 Ayes: Commissioners: \_\_\_\_\_  
15 \_\_\_\_\_  
16 \_\_\_\_\_

17  
18 Noes: Commissioners: \_\_\_\_\_  
19 \_\_\_\_\_

20 Absent: Commissioners: \_\_\_\_\_  
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24 \_\_\_\_\_  
25 City Clerk

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CERTIFICATE OF RECORDING OFFICER

I, the undersigned, the duly qualified and acting Clerk of the Housing Authority of the City of Long Beach, California, do certify:

1. That the attached resolution is a true and correct copy of a resolution as finally adopted by a duly called meeting of the Housing Authority of the City of Long Beach, California held on \_\_\_\_\_, 2012 and duly recorded in the official records of the Governing Body; that the resolution has not been amended, modified, or rescinded, and is now in full force and effect;

2. That the meeting was duly convened and held in all respects in accordance with law; that to the extent required by law, due and proper notice of the meeting was given; that a legal quorum was present throughout the meeting and that a legally sufficient number of members of the Housing Authority of the City of Long Beach, California voted in the proper manner for adoption of the resolution; that all other requirements and proceedings under the law incident to the proper adoption or passage of the resolution, including publication, if required, have been duly fulfilled, carried out, and otherwise observed; that I am authorized to execute this Certificate; and that the seal affixed below constitutes the official seal of the Housing Authority of the City of Long Beach, California and this Certificate is executed under that official seal.

IN WITNESS WHEREOF, I have set my hand on \_\_\_\_\_, 2012.

(Signature)  
**LARRY HERRERA**  
CITY CLERK

OFFICE OF THE CITY ATTORNEY  
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# EXHIBIT "A"

## Chapter 11

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

#### INTRODUCTION

The HA is responsible for ensuring that the rents paid to owners are reasonable based upon objective comparable units in the rental market. When the HA has determined that the unit meets the minimum HQS, that the lease is approvable, and that the rent is reasonable, it will make timely payments to the owner and notify the owner of the procedures for rent adjustments in the Certificate and Voucher programs. This Chapter explains the HA's procedures for determination of rent-reasonableness, payments to owners, adjustments to the Payment Standards, and rent adjustments.

#### A. OWNER PAYMENT IN THE CERTIFICATE PROGRAM

The HA's payment to the landlord, called the Housing Assistance Payment, is the Contract Rent approved by the HA less the Tenant Rent determined by the HA.

#### B. OWNER PAYMENT IN THE VOUCHER PROGRAM

The maximum subsidy for each family is determined by the Payment Standard for the Voucher size issued to the family, less 30% of the family's Monthly Adjusted Income. The actual subsidy level could be less if the family is required to pay the Minimum Total Tenant Payment (10% of the family's Monthly Income).

The Voucher size issued to the family is based on the HA's Subsidy Standards. The payment standard for the family is based on the lesser of the Payment Standard for the Voucher size issued and the Payment Standard for the unit selected.

#### C. MAKING PAYMENTS TO OWNERS

The HAP Contract is executed and the HA begins processing payments to the landlord with an effective date that is the later of:

- The date the unit passed inspection,
- The date the rent requested by the Owner was approved,
- The date the lease provided by the Owner was approved,
- The date the previous Section 8 contract was terminated (if applicable), and
- The date the tenant was approved to take possession of the unit.

A Hap Register will be used as a basis for monitoring the accuracy and timeliness of payments. Changes are made automatically to the HAP Register for the following month.

Housing Assistance payments are disbursed by the Housing Authority to the owner each month. The payments may be distributed via electronic deposit or by check through the U.S. Mail Service.

Beginning July 14, 1999, payments based on new or revised contracts, all owners will be required to accept HAP payments & other H.A. Payments via electronic deposit.

Routine HAP payments will be disbursed on the first day of each month. Non-routine payments may be distributed at mid-month, e.g., initial payment for a new contract.

Housing Assistance payment checks that are not received will not be replaced until a Declaration and Indemnity Agreement has been received by the HA from the payee and a stop payment has been put on the check.

**D. RENT REASONABLENESS DETERMINATIONS [24 CFR 882.106 (B), 982.4]**

Rent reasonableness determinations are made when units are placed under HAP contract for the first time and when owners request annual or special contract rent adjustments under the Certificate/voucher Program.

For the Certificate and Voucher Programs, the HA will determine and document on a case-by-case basis that the approved rent:

1. Does not exceed rents currently charged on new leases by the same owner  
For an equivalent assisted or unassisted unit in the same building or complex, and ;
2. Is reasonable in relation to rents currently charged by other owners for comparable units in the unassisted market.

At least one comparable unit will be used for each rent determination. All comparable must be based on the rent that the unit would command if leased in the current market. Leased in the current market means that the unit has been leased within the last 12 months. The data for other unassisted units will be gathered from newspapers, Realtors, professional associations, inquiries of owners, market surveys, and other available sources.

For rent reasonableness determinations the City of Long Beach has been divided into the following market areas: Downtown, Central, Beach, East North, and West. Subject units within a defined housing market area will be compared to similar units within the same area.



The following items will be used for rent reasonableness documentation:

Square Footage	Number of Bathrooms	Facilities
Date Built	Number of Bedrooms	Location
Unit Type	Quality	Amenities

#### Management and Maintenance Service

The HA maintains an automated database that includes data on unassisted units in the City of Long Beach, subdivided into the before-mentioned six market areas. The database is used by staff in making rent reasonableness determinations. The data is updated and purged when it becomes outdated.

The following procedures will be used to determine the reasonableness of proposed rents (Rent to Owner) when new leases are presented to the Housing Authority for approval:

- a. Staff will obtain a copy of a current lease agreement from the Owner to show the current rental rate for other similar unassisted units on the property.
- b. Staff will compare the proposed rent with the average rent amount in the Market Area for units of similar type and amenities.
- c. Staff will review the Inspector's Unit Profile, which documents the amenities and condition of the unit, completed by the inspector at the move-in inspection.
- d. Staff will review rents for other units on the property that are assisted by the Housing Authority.

For the Certificate Program all approved rental rates are subject to HUD's most recently published Fair Market Rent (FMR) limits and regulations.

If the Housing Authority's database does not contain data consistent with the type of unit and amenities of the unit presented for rent, the Owner may provide data for two (2) comparable units within a 10-block radius of the unit.

Under the Certificate Program, staff may approve contract rents that are up to 10% above the FMR (exception rents). The total number of units approved up to 10% above the FMR may not exceed 20% of the total number of units administered under the Certificate Program. The HA may utilize exception rents for single family homes, units specifically designed for disabled households (and the family renting the unit is a disabled household), units that have three or more bedrooms and units which have the following amenities:

1. Recent rehabilitation (not redecorating)
2. Bonus room or family room
3. Has close proximity to a hospital or treatment center for a disabled household

**E. PAYMENT STANDARDS FOR THE VOUCHER PROGRAM [24 CFR 887.351 (a)(b)]**

Except during the period of time that the HA is participating in HUD's Small Area Fair Market Rent (SAFMR) Demonstration Program as noted below, the Payment Standard shall be the same as the Fair Market Rent, as published by HUD, on the date the Annual Contribution is approved by HUD. HUD established the Demonstration Program to establish fair market rents at the ZIP Code level in some metropolitan areas so that payment standards are more likely to reflect the rents in specific neighborhoods. While the HA is participating in the Demonstration Program, the Payment Standard will be equal to the SAFMR for each market area. The Payment Standard is used to determine the maximum subsidy which can be paid by the HA on behalf of the family.

**F. ADJUSTMENTS TO PAYMENT STANDARDS [24 CFR 887.351 (c)(d)]**

Payment Standards may be adjusted to increase Housing Assistance Payments in order to keep families' rents affordable. The HA will not raise the Payment Standards so high that the number of families that can be assisted under available funding is substantially reduced. Nor will the HA raise Standards if the need is solely to make 'high end' units available to Voucher holders.

The HA will review the Payment Standard annually to determine whether an adjustment should be made for some or all unit sizes. The Payment Standard will be reviewed according to HUD's requirements and this policy and if an increase is warranted, the payment standard will be adjusted within 80% to 100% of the current Fair Market Rent.

The HA may use some or all of the measures below in making its determination whether an adjustment should be made to the Payment Standards.

**Assisted Families' Rent Burdens**

The HA may review reports showing the percent of income used for rent by Boucher families to determine the extent to which the rent burden is more than 50% of income. These families will be encouraged to find more affordable units.

**Availability of Suitable Vacant Units Below the Payment Standard**

The HA may review its rent reasonableness database and vacancy rate data to determine whether there is an adequate supply of vacant units below the Payment Standard in areas of low poverty concentration.

**Quality of Units Selected**

The HA may review the quality of units selected by participant families before determining any change to the Payment Standard to ensure that Payment Standard increases are only made when needed to reach the mid-range of the market.

**Rent to Owner Increases**

The HA may review a sample of the units to determine how often owners are increasing rents after the first year of the lease and the average percent of increase by bedroom size. The sample will be divided into units with and without the highest cost utility included.

A comparison will then be made to the applicable annual adjustment factor to determine whether owner increases are excessive in relation to the published annual adjustment factor.

#### **Time to Locate Housing**

The HA may consider the average time period for families to lease up under the Voucher program as compared to the Certificate program. If the average for voucher holders exceeds that for Certificate holders by 10 percent, the Payment Standard may be adjusted.

#### **Rent Reasonableness Data Base/Average Contract Rents**

The HA may compare the Payment Standards to average rents in its Rent Reasonableness Data Base and to the average Contract Rents by unit size. The Payment Standards should be on a par with these amounts.

#### **Lowering of the Payment Standard**

If the FMR is lowered, the Payment Standard may not exceed the FMR except in those cases where families are held harmless until they move to a different dwelling unit or have a change in family composition which would affect their Voucher size.

#### **Financial Feasibility**

Before increasing the Payment Standard, the HA may review the budget and the project reserve, to determine the impact projected subsidy increases would have on funding available for the program and number of families served.

For this purpose, the HA will compare the number of families who could be served under a higher Payment Standard with the number assisted under current payment standards.

## **G. RENT ADJUSTMENTS [24 cfr 882.108]**

### **Certificate Program**

Owners may not increase rents prior to the end of the first year of the lease (anniversary date). The HA will notify owners of their right to request a rent adjustment 120 in advance of the anniversary date. The approval or disapproval decision regarding the adjustment will be based on HUD-required calculations and a rent reasonableness determination. The adjustment may be an increase or a decrease, but may never result in a contract rent lower than the initial contract rent on the current HAP Contract. Owners must request the rent adjustment in writing.

Rent adjustments to owners under the Certificate Program are effective on the anniversary date of the HAP Contract (unless the unit is in a failed condition at that time). A notice of rent change will be sent to the owner and the family.

Rent increases must pass the rent reasonableness test and may not exceed the Adjustment Factor published annually by HUD (even if justified by rent reasonableness) unless the owner requests a Special Adjustment to be approved by HUD and the HA to cover increases in property taxes, assessments, or utility rates.

### **Disapproval of Requests for Adjustment**

If the HA rejects the Owner's request for rent adjustment as exceeding rent reasonableness and the owner rejects the HA's determination, the owner may offer the tenant a new lease (after receiving the HA's approval) with a sixty-day notice to the tenant. If the tenant refuses or the owner does not offer a new lease, the owner may institute court action to terminate tenancy for a business or economic reason in accordance with the lease. The HA will issue a new Certificate to the family.

After the tenant has begun searching for a new housing unit and/or after court action has been initiated, the owner may decide to accept the current lease. If the owner and tenant agree, the lease can continue.

If the tenant accepts the offer of a new lease, a Request for Lease Approval must be submitted and the requested rent will be subjected to rent reasonableness and, for the certificate program, the FMR limitations. If a new lease is executed, a new Contract must also be executed.

### **Voucher Program**

Owners may not request rent adjustments in the Voucher Program to be effective prior to the expiration of the first year of the lease. Rent adjustments are effective and a sixty-day notice to the family and a copy to the HA. The HA will advise the family as to whether the rent is reasonable and will approve or disapprove the rent increase.

