Increased voucher payment standards in high-cost areas

Overview
The maximum rent subsidy that a household in the Housing Choice Voucher program may receive is determined by the voucher payment standard.

Payment standards are set by the local public housing agency (PHA) for each unit size based on the Fair Market Rents (FMRs) published by HUD each year. PHAs have a substantial amount of discretion to vary the voucher payment standard and may establish different payment standards for different parts of their jurisdiction. By increasing payment standards in high-cost areas, PHAs can make it more feasible for voucher-holders to rent housing in resource-rich areas that typically have higher rents.

Approach
The Housing Choice Voucher (HCV) program helps participants afford to live in privately owned rental housing of their choice. Administered by HUD and managed at the local level by public housing agencies (PHAs), it is the largest HUD rental assistance program. As discussed in our brief on the HCV program, PHAs have discretion to tailor the HCV program to meet local needs. This section discusses options for increasing voucher payment standards to allow households participating in the HCV program to access resource-rich neighborhoods with higher rents.

Households who receive HCVs pay about 30 percent of their adjusted income each month for rent and utilities, although they may choose to pay more (up to a maximum of 40 percent at initial occupancy) to rent units that meet eligibility standards. The PHA pays the balance of the rent due, up to a maximum known as the voucher payment standard. The PHA is responsible for setting payment standards for each bedroom size, based on the fair market rent (FMR) for the surrounding area or ZIP Code (for PHAs choosing to use Small Area FMRs). PHAs generally have the choice of whether to establish a single set of payment standards for the entire jurisdiction or to use different sets of payment standards in different geographical areas. (PHAs in 24 large metropolitan areas are now required to use SAFMRs.) The latter approach adds complexity to program administration but can help participants access a wider range of units by ensuring that the payment standards are tailored to rents at the neighborhood level. Units rented with HCVs are also subject to reviews to determine
the reasonableness of the rent, based on rent levels of other similar units, and are required to meet housing quality standards set by HUD.

PHAs that apply the same payment standard across an entire metropolitan area do not account for sometimes significant differences in rent levels across neighborhoods. This approach can result in payment standards that are significantly higher than what might be required to rent an appropriate unit in low-cost neighborhoods, but too low to provide a sufficient level of assistance in high-cost areas. There are several ways that PHAs can adjust payment standards in certain neighborhoods, helping to increase access to resource-rich areas for housing choice voucher participants.

**Exception payment standards**
PHAs have discretion to vary the payment standard within 90 to 110 percent of the FMR. This gives them some latitude to adjust for local market conditions, but is often insufficient to enable participating households to access units in higher-rent resource-rich areas. Under certain circumstances, a PHA can request permission from HUD to establish “exception” payment standards above 110 percent of the FMR in designated parts of its jurisdiction. Exception payment standards may be established for all unit sizes in a designated area, or only for units with a given number of bedrooms. HUD specifies different procedures for PHAs to request exception payment standards between 110 and 120 percent of the FMR (for which approval of the HUD Field Office is required) and above 120 percent of the FMR (for which the approval of HUD’s Assistant Secretary of Public and Indian Housing is required). Implementation of the Small Area Fair Market Rent (SAFMR) Final Rule, discussed below, presents additional opportunities to establish exception payment standards that expand housing choice in higher-cost neighborhoods.

**Small Area Fair Market Rents**
The SAFMR Final Rule published in November 2016 requires more than 200 PHAs in 24 metropolitan areas to implement SAFMRs by April 2018 (see HUD’s five-page summary of the rule here). Under this new approach, FMRs are set at the ZIP code level rather than at the metro-area level, and PHAs maintain multiple payment standards that reflect this variation. Basing FMRs on rents within ZIP codes rather than metropolitan areas allows for much larger variation in subsidy amounts by neighborhood. By using this more granular calculation, designated SAFMR PHAs can expand the number of neighborhoods with units that are affordable and accessible to voucher holders, while lowering payment standards in areas that have lower rents.

PHAs that have not been designated for mandatory adoption of SAFMRs can choose to adopt the new approach on a voluntary basis. However, non-SAFMR PHAs that do not
opt in may still establish exception payment standards of up to 110 percent of the published SAFMR for individual ZIP code areas within their jurisdiction without special approval from HUD. This added flexibility enables PHAs to apply higher payment standards in specific high-cost ZIP codes that offer greater opportunity to voucher holders.

**PHAs with Moving to Work authority**

Housing authorities with [Moving to Work program](#) have special flexibility to raise (or lower) payment standards in particular neighborhoods, including requesting HUD approval to adopt large variations in payment standards outside of the basic range (lowering the payment standard in lower-cost areas can help to offset some of the cost of higher payment standards in resource-rich areas and may also prevent a “magnet” effect in which voucher holders move to low-cost areas where payment standards enable them to afford the largest and most expensive units). In some cases, Moving to Work agencies also use private market research or other datasets to determine payment standards, rather than basing them on the FMR.

**Partnerships between PHAs and cities, towns, and counties**

A decision by the PHA to increase voucher payment standards in resource-rich areas can be helpful for improving HCV holders’ access to those neighborhoods. This step, by itself, however, may not be sufficient to substantially expand access to resource-rich areas, since these areas may be unfamiliar to participating households, and the owners may refuse to participate in the program or require more in the way of security deposits and first- and last-month’s rent than voucher holders can afford. To help realize the potential inherent in higher payment standards for participating households to access resource-rich areas, the city, town or county could fund [mobility counseling and security deposit assistance to help voucher holders](#) afford to rent units in resource-rich areas. Jurisdictions can also contribute to the success of the program by funding or conducting landlord recruitment initiatives focused on higher-cost resource-rich neighborhoods. Landlords in these areas may have little or no previous experience with vouchers and before agreeing to participate may need additional outreach and information, which can be provided in the course of doing other business with the city or county.

In some jurisdictions, landlords have no legal obligation to accept HCVs, and may refuse to rent to households that participate in the program. Local jurisdictions can pass [source of income laws](#) that require landlords to rent to all eligible tenants, regardless of their source of income. This protection can help to expand the housing
choices available to voucher holders, especially in resource-rich neighborhoods. Where income protections have been adopted, educational campaigns and outreach to landlords and tenants may be needed to ensure all parties are aware of requirements under the law.

**Examples**

- In December 2017, the **King County Housing Authority (KCHA)**, a Moving to Work agency, transitioned from a two-tier payment standard system to a **six-tiered set of payment standards** based on ZIP codes within its service area. Payment standards are higher in high-cost areas and lower in areas with lower costs, a system that corresponds more closely with the rental market and actual rent levels in the county. The difference between payment standards in the highest- and lowest-cost tiers ranges from $675 for a one-bedroom unit to $1,085 for a four-bedroom unit. Existing tenants in areas where payment standards were reduced in the transition may continue to receive assistance based on the previous payment standard through the next full recertification as long as they remain in the same unit.

- The **San Francisco Housing Authority**, which is not a Moving to Work agency, set 2017 **payment standards** at levels that range from 100 percent of the FMR for larger units with three or more bedrooms to 110 percent of the FMR for smaller units with two or fewer bedrooms. In 2018, SFHA increased payment standards for all unit sizes to 110 percent of the FMR, in response to concerns about high costs and low vacancies in the area, and challenges faced by voucher holders in finding acceptable units.

- The **Housing Authority of Cook County**, IL (HACC) began **using Small Area FMRs** (SAFMRs) in 2013, as part of a HUD demonstration program. HACC volunteered to participate in the demonstration in order to increase voucher holders’ access to resource-rich neighborhoods, promote fair housing, and strengthen an existing mobility counseling program. The PHA’s service area covers 193 ZIP Codes, within which rent levels vary significantly. Rather than establishing a separate payment standard for each ZIP Code, HACC initially grouped them into 10 payment standard areas, and has since expanded to 22 payment standard areas based on feedback from case workers and landlords. After implementing SAFMRs, HACC saw a 14 percent increase in the number of rental units affordable to voucher holders in high-cost neighborhoods, which nearly offset the decrease in affordable units in low-cost neighborhoods.

**Related resources**

- **Housing Choice Voucher Program Guidebook**, Chapter 7: Payment Standards, HUD – This section of the Guidebook provides a detailed description of procedures for
setting payment standard amounts and the circumstances under which exceptions may be requested.

- Rent setting for Section 8 Housing Choice Vouchers, HUD-VASH, and other Rental Assistance Programs in Oregon: A User Guide, HUD Oregon Field Office (July 2015) – This Q&A provides general information about how HUD sets subsidy limits for the Housing Choice Voucher program and how Fair Market Rents and payment standards are determined.