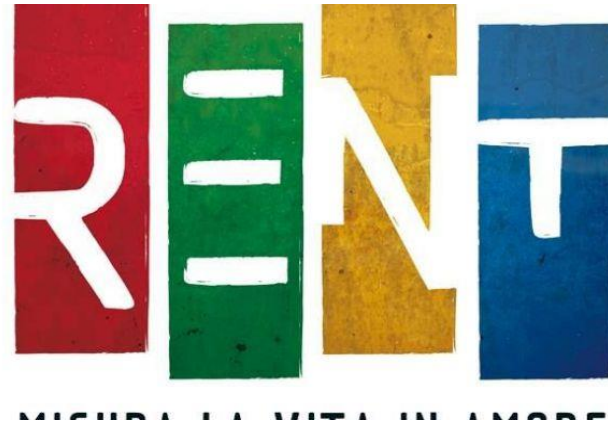


The Section 8 Rent Formula



$$\begin{aligned} & \text{RHA Rent Subsidy [Payment Standard]} \\ & + \text{Family Rent [30\% adjusted monthly income]} \\ \hline & = \text{Contract Rent [Amount to owner]} \end{aligned}$$

May 24, 2017

Table of Contents

1. RHA Rent Subsidy (How rental subsidy is calculated)	Pg 3
2. RHA Payment Standard (3 year history)	Pg 4
3. Family Rent (How is rent “affordable”)	Pg 5
4. “Smith Family”	
a. Calculation of Tenant Rent	Pg 6
b. Calculation of RHA subsidy	Pg 7
c. Smith family in appropriate size unit	Pg 8
d. Smith family in larger unit	Pg 9
e. Change in Smith family income	Pg 10
5. Change in Household Composition (impact on family rent and subsidy).....	Pg 11
6. Family decision to remain over-housed	Pg 12
7. Family decision to move to appropriately sized unit	Pg 13
8. Change in Market Conditions/Owner Increase in Contract Rent.....	Pg 14

RHA Rent Subsidy

1. HUD publishes a table of “Fair Market Rents”; average cost of modest rental housing in the area.

2. Each PHA establishes a Payment Standard (PS) based on rental rates in the jurisdiction. The PHA establishes the rate between **90 & 110%** of the HUD published Fair Market Rent. RHA’s Payment Standard is currently **95%** of FMR:

	0-Bdrm	1-Bdrm	2-Bdrms	3-Bdrms	4-Bdrms
FMR	\$1,435	\$1,723	\$2,173	\$3,017	\$3,477
90%	\$1,272	\$1,551	\$1,956	\$2,715	\$3,129
110%	\$1,579	\$1,895	\$2,390	\$3,319	\$3,825
95% (RHA)	\$1,363	\$1,637	\$2,064	\$2,866	\$3,303

3-Year History of RHA's Payment Standards

	0-Bdrm	1-Bdrms	2-Bdrms	3-Bdrm	4-Bdrms
7/2017	\$1,363	\$1,637	\$2,064	\$2,866	\$3,303
7/2016	\$1,242	\$1,497	\$1,893	\$2,639	\$2,941
7/2015	\$ 987	\$1,197	\$1,506	\$2,102	\$2,580

Family Rent

- Family must pay **30%**, but no more than **40%** of adjusted monthly income for rent at initial contract
- Family can pay a larger share of income for rent.

If family chooses a unit where the rent requested by owner is more than the applicable Payment Standard

If the family chooses to rent a unit with more bedrooms than on the Voucher (i.e. family with 2-bedroom voucher rents a 3-bedroom unit)

If family elects to remain in a 3-bedroom unit after one or more family members leave, and the family's eligibility is reduced from 3- to 2-bedrooms

- Because rent must always be affordable, a family with **\$0 income** may have **\$0 rent** payment to landlord, and receive a monthly payment from RHA for utilities

Estimate of Family Rent Portion Smith Family

Household composition: Mother, one
minor child

Household income: \$900 per month,
Wages

30% Adjusted monthly income = \$258
($\$900 \times 12 - \$480 / 12 \times .30$)

Estimate of RHA Rent Subsidy Smith Family

Family must pay 30% of adjusted monthly income for rent so RHA's estimated monthly rental subsidy is \$1,806

$$\begin{array}{r} \text{PS} \quad \$2,064 \\ - \quad \quad \quad \underline{258} \\ \quad \quad \quad \$1,806 \end{array}$$

Family Selection of Unit

2-Bedroom Unit; \$1,900 Rent

Unit is proper size for family

Rent requested is within 2-bedroom Payment Standard (\$2,064)

RHA determines owner's rent request is reasonable

Contract is approved.

Rent to Owner	\$1,900
Family pays	258 (30%)
RHA Pays	\$1,642

2-Bedroom Unit; \$2,000

Unit is proper size for family

Rent requested is within 2-bedroom Payment Standard (\$2,064)

RHA determines owner's rent request is reasonable

Contract is approved.

Rent to Owner	\$2,000
Family pays	258 (30%)
RHA Pays	\$1,742

Family Selection of Larger Unit

3-bedroom unit; \$2,050 rent

Unit has more bedrooms than family needs to be adequately housed

Rent requested is **within** family's 2-bedroom Payment Standard

RHA determines owner's rent request is reasonable

Contract is approved.

Rent to Owner	\$2,050
Family Pays	258
RHA Pays	\$1,742

3-bedroom unit; \$2,500 rent

Unit has more bedrooms than family needs to be adequately housed

Rent requested is **higher** than family's 2-bedroom Payment Standard

RHA determines owner's rent request is reasonable

Contract must be denied because it would require family to pay more than 40% of adjusted monthly income

Rent to Owner	\$2,500
Family pays	694
RHA Pays	\$1,806

Change in Household Income

(Impact on Family Rent and RHA Subsidy)

3 Income scenarios	Wages \$900 Mth	\$90 Week (UIB)	\$200 Mth (gift from family)
Contract Rent	\$2,000	\$2,000	\$2,000
Family Rent	258	105	48
RHA Subsidy	\$1,742	\$1,895	\$1,952

Change in Household Composition

(Impact on Family Rent and RHA Subsidy)

Household Composition	Mom & child	Mom
Voucher Size	2-bedrooms	1-bedroom
Payment Standard	\$2,064 [2-bdrms]	\$1,637 [1-bdrm]
30% Family Rent	\$258	\$270
Est RHA Subsidy	\$1,806 [\$2,064-\$258]	\$1,367 [\$1,637-270]

Family Over-Housed.

Family choice to stay in place or Move?

Stay in Place. 1st Year Subsidy

Although family now qualifies for 1-bedroom subsidy; RHA will continue to pay 2-bedroom subsidy until “next annual re-certification” (to allow for timely transition)

Contract Rent	\$2,000
Family pays	- 270
RHA Pays	<u>-1,730</u>

*

Stay in place. Following years subsidy

If family remain in unit, **at next annual re-certification** owner will continue to receive rent at the approved 2-bedroom rate, but family subsidy will be **decreased** to 1-bedroom.

Contract Rent	\$2,000
Family pays	- 270
RHA Pays	-1,367
.....gap	- 363

*Family will pay 30% of income for rent PLUS the additional \$363

Family Over-Housed

Family relocates to 1-bedroom unit (now or anytime before next annual re-certification)

Contract Rent	\$1,600
Family Pays	-270
RHA Pays	\$1,330

- ✓ Family is housed appropriately
- ✓ Owner receives fair rent
- ✓ Rent Affordability for the family is preserved

Change in Market Conditions

Owner Increase in Contract Rent

New contract 1/1/15; rent \$1,800; no annual increases; 2017 owner request increase to \$2,000; Payment Standard \$2,064

1. Family occupying correct unit size
2. Rent requested is within Payment standard
3. RHA determines owner's rent request is reasonable.
4. Request is approved. RHA pays 100% of increase

	Old	New
Contract Rent	\$1,800	\$2,000
Family Pays	258	258
RHA Subsidy	\$1,542	\$1,742

New contract 1/1/15; rent \$1,800; no annual increases; 2017 owner requests increase to \$3,000; Payment Standard \$2,064

1. Family occupying correct unit size
2. Rent requested exceeds Payment Standard
3. RHA determines owner's rent request is **NOT** reasonable*
4. RHA would **deny** the request; offer owner an increase in line with the new Payment Standard, and market conditions.

	Old	New
Contract Rent	\$1,800	\$3,000
Family Pays	258	Denied
RHA Subsidy	\$1542	

*RHA has ability to increase the PS

**Recommend Rent Ordinance exemption cap rent at Payment Standard