

PHILADELPHIA HOUSING AUTHORITY PUBLIC MEETING

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Wednesday, April 18, 2018

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Public Meeting, held at PHILADELPHIA HOUSING
AUTHORITY, 1800 S. 32nd Street, Philadelphia,
Pennsylvania 19145, beginning at 10:00 a.m., on
Wednesday, April 18, 2018, before Alice T. Mattes,
Court Reporter and Notary Public, there being present:

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A P P E A R A N C E S :

Bret Holden, PHA

ALSO PRESENT:

George Gould, Esquire

* * *

MR. HOLDEN: So good morning again.

Welcome to Philadelphia Housing Authority's public hearing on Small Area Fair Market Rents changes to our Administrative Plan, which is a document for the Housing Choice Voucher Program here at PHA. And my name is Bret Holden, and I'm the vice president of lease housing here at PHA.

So just some background on the Small Area Fair Market Rents, which we're going to abbreviate as SAFMR. In November 2016, the U.S. Department of Housing and Urban Development, HUD, issued a Final Rule requiring implementation of an alternative zip code based Small Area Fair Market Rent System in 24 metropolitan areas nationwide, including Philadelphia. However, in August 2017 HUD notified PHA that implementation of the Small Area FMR had been suspended until October 2019.

However, on December 23rd, 2017, HUD was ordered to implement the published final rule for Small Area FMR, requiring

1 the 24 metropolitan areas nationwide,
2 including here in Philadelphia, to
3 implement payment standards utilizing zip
4 code based SAFMRs by April 1st, 2018.

5 Historically, HUD publishes Fair
6 Market Rents annually for the entire City
7 of Philadelphia, which is and has been used
8 by PHA to set the payment standards for the
9 HCV, Housing Choice Voucher, Program for
10 each unit size.

11 The established payment standard
12 determines the maximum allowable rental
13 subsidy levels for HCV-assisted units here
14 in the city.

15 So what are SAFMRs? By utilizing zip
16 codes as the basis for fair market rents,
17 HUD hopes to provide tenants with greater
18 ability to move into higher-opportunity
19 neighborhoods with jobs, public
20 transportation, and good schools by
21 offering higher rents.

22 Additionally, HUD hopes to reduce
23 overpayment in lower-rent areas and address
24 high levels of voucher concentration in

1 certain areas and neighborhoods throughout
2 the City of Philadelphia.

3 So as a result, effective April 1st,
4 2018, PHA is implementing changes to the
5 method of establishing PHA's payment
6 standards and introducing PHA's new payment
7 standard schedule for the HCV program. The
8 HUD final rule does allow grouping of zip
9 codes into one payment standard, as long as
10 the payment standard is within a basic
11 range of 90 to 110 percent of the zip
12 codes' Small Area FMR published by HUD.

13 So what are payment standards?

14 Payment standards are used to calculate the
15 maximum subsidy that PHA will pay towards
16 rent and utilities for rental units leased
17 to families with Housing Choice Vouchers.

18 Under the HCV program, families are
19 generally required to pay between 26-28
20 percent of their adjusted income towards
21 rent and utilities. PHA then pays a
22 difference between the family's required
23 contribution and the lower of the payment
24 standard and the gross rent (rent plus

1 estimated utilities) of their selected
2 unit.

3 HCV families may choose to pay more
4 to live in a unit whose rent and utilities
5 exceed the payment standard, but may not
6 pay more than 40 percent of their adjusted
7 income for rent and utilities when
8 initially signing a lease with a landlord.

9 So here's a sample of subsidy
10 calculation. The payment standards for zip
11 code is \$600. And the gross rent, rent and
12 utilities, for a unit a client is
13 interested in is 800. And the rent
14 contribution, 30 percent as an example, of
15 adjusted income is \$500. The payment
16 standard for this example is \$600 minus
17 rent contribution, which is 100. The gross
18 rent is \$800 minus the client's
19 contribution of 500 is \$300. So if you
20 review that, and \$100 is less than \$300, so
21 PHA will pay \$100 toward the client's rent
22 in contribution.

23 So after PHA reviewed HUD's SAFMR
24 data, PHA identified three payments into

1 groups. We have Group 1, which is
2 Traditional Range Rents; Group 2, which is
3 Mid-Range Rents; and Group 3, which are
4 Higher Range Rents, and the schedule is
5 down below. For example, Group 1's one
6 bedroom is \$900; Group 2 the one bedroom
7 1,503; and Group 3 is 1,305. And we
8 established those by looking at the Small
9 Area FMR and the range between 90 and 110
10 percent.

11 So these are the neighborhoods that
12 are in Group 1. You can see it goes from
13 19104 all the way to 19152. That's our
14 biggest group.

15 Then Group 2, areas such as
16 Roxborough, Chestnut Hill, Northern
17 Liberties, East Falls, Queen
18 Village/Passyunk in South Philadelphia,
19 Millbrook in the far Northeast, Torresdale,
20 Northeast, and Southwest Philadelphia down
21 by the airport.

22 And Group 3, which are Higher Range
23 Rents, is mostly the zip codes in Center
24 City, Philadelphia, Manayunk, Northwest

1 Philadelphia, and Fairmount in North
2 Philadelphia. And here's a map of the ZIP
3 codes.

4 So who does SAFMR affect? It's any
5 new lease signed -- well, tenant-based
6 voucher lease signed as of April 1st, 2018.
7 PHA will also apply the new payment
8 standard, when the payment standard has
9 increased, to all recertifications
10 effective April 1st, 2018 even if PHA has
11 already processed the recertification, as
12 this will benefit the tenant.

13 PHA will not apply the new payment
14 standard if the amount on the payment
15 standard schedule is decreased during the
16 term of the HAP contract, PHA will continue
17 to use the higher payment standard for the
18 family's subsidy calculation as long as the
19 family continues to receive voucher
20 assistance at their unit.

21 So that third one is our Hold
22 Harmless Policy. So PHA established a Hold
23 Harmless Policy, which existing households
24 would not see increase in payments due

1 solely to the new SAFMR, if they remain in
2 their current unit.

3 For example, if the payment standard
4 in effect at the last certification was
5 \$900 and the payment standard in effect at
6 the current recertification is \$800, PHA
7 will use \$900 as the payment standard for
8 the current recertification. The family
9 share will not change, unless there has
10 been a change in household income or
11 composition. If a family transfers to a
12 new HCV unit, the SAFMR payment standards
13 would apply.

14 Once PHA's payment standard in effect
15 equals or exceeds the payment standard
16 being applied to the household upon
17 implementation of SAFMRs, PHA will apply
18 the current applicable payment standard at
19 all future recertification regardless of
20 the fluctuations in the payment standards
21 from the last regular recertifications.

22 For example, if the payment standard
23 in effect at the last recertification,
24 prior to implementation of SAFMR, was \$900

1 and the payment standard in effect at the
2 current recertification is \$800, PHA will
3 use \$900 as a payment standard for the
4 current recertification. PHA will continue
5 to use \$900 as the payment standard for
6 future recertifications until the payment
7 standard in effect is equal to or greater
8 than \$900. Once the payment standard in
9 effect is equal to or greater than \$900,
10 PHA will use the payment standard in effect
11 regardless of fluctuations, including
12 decreases.

13 There's portability in our Admin
14 Plan. We just want to make clear that when
15 a family ports in and uses a voucher to
16 lease a unit in PHA's jurisdiction, PHA's
17 payment standards, in accordance with
18 SAFMRs, will apply.

19 And our project based program,
20 project-based voucher programs, PHA will
21 continue to use the citywide FMR to
22 determine rent for UBV's when renewing or
23 executing HAP contracts.

24 PHA will not use SAFMR for the

1 calculation of tenant rent at project based
2 voucher developments. Payment centers do
3 not apply in project based.

4 So the effective date, again, is
5 April 1st. All leases approved and
6 executed by the landlord/tenant as of
7 April 1st, 2018 are subject to the new
8 payment standard schedule. And PHA will
9 continue to review its policy and methods
10 for establishing payment standards as we
11 move forward, as HUD does publish new
12 SAFMRs on an annual basis, usually in
13 October or November each year.

14 Thank you. Any questions?

15 MR. GOULD: No questions.

16 * * *

17 (Pause.)

18 * * *

19 MR. GOULD: Good morning. My name is
20 George Gould, and I'm a senior attorney at
21 Community Legal Services.

22 I have worked in the area of Section
23 8 vouchers and certificates since its
24 creation in the 1970s. Our office sees a

1 large number of Section 8 tenants. It's an
2 extremely important program for low-income
3 persons in Philadelphia who are in need of
4 decent and affordable housing.

5 While we applaud the goal of SAFMR
6 giving low-income families, especially
7 minorities, the ability to live in
8 high-opportunity areas, we are concerned
9 about some aspects of the program. Quite
10 frankly, I hope our concerns are wrong. I
11 hope the program works, because the goals
12 of the program are very, very good.

13 Rasheedah Phillips in my office and I
14 met with staff of Section 8 in March about
15 our concerns, and we will submit written
16 comments in May, before May 7th.

17 However, I thought it was important
18 to be here today and, again, express our
19 concerns and some doubts about the program.

20 We understand that HUD is imposing
21 SAFMRs as a requirement on PHA, but, again,
22 to emphasize the problems we see and the
23 possibility of getting some waivers in the
24 Moving to Work Program. PHA has

1 established three payment groups to
2 tenant-based vouchers, Traditional Rent,
3 Mid Range, and Higher Rents.

4 The Traditional Range Rent includes
5 the vast majority of census tracts, mostly
6 in minority neighborhoods. The Fair Market
7 Rents FMR subsidies in neighborhoods will
8 go down significantly. For example, all
9 three -- for a three-bedroom unit the FMR
10 will go down \$227. For the higher bedroom
11 size unit the FMRs will go down more.

12 While PHA will hold tenants in
13 existing units harmless through FMR
14 changes, which we think is very good, while
15 they remain in the unit the change will
16 apply to all new units in these areas where
17 tenants are looking for housing.

18 Quite frankly, our concern is that
19 landlords will not want to participate in
20 the program and tenants will have a
21 difficult time finding housing in these
22 areas.

23 We know that it's -- I think some or
24 many people, in PHA's view, is that the

1 payment standards in the first range are
2 too high, and by going down it would be
3 more of what the market is. Our concern
4 that if they do go down that landlords
5 or -- obviously, some will participate, but
6 we think there's a group that will not
7 participate.

8 The mid-range FMRs have gone up
9 slightly. This consists of eight census
10 tracts. These census tracts are generally
11 on the southern, eastern, northern, and
12 western boundaries of the city. Since the
13 FMRs are only slightly changing, we assume
14 the landlord participation will not change
15 in these areas.

16 Higher range FMRs actually are five
17 census tracts, where the FMRs are higher,
18 mainly Center City, as also Manayunk, and
19 Fairmount.

20 The question, however, is whether
21 landlords will participate in the Section 8
22 program in these areas. We know that the
23 rents have gone up, but I think there's a
24 question whether they will participate and

1 rethink that to be a real problem.

2 When we met we expressed our doubts.
3 We understand that PHA is doing an
4 assessment of the program in September of
5 2018, and we hope to meet to review the
6 data.

7 We also understand that PHA's in a
8 bind, because they have a limited amount of
9 money. And if they're gonna raise it in
10 the high-opportunity areas, they have to
11 lower it in the low-opportunity areas. And
12 since there are many more -- well, to get
13 it higher you really need to do that
14 decrease. And I think that's problematic.
15 Well, maybe it decreased a little bit. I
16 think the decreases are pretty significant.

17 And, again, you know, we hope we're
18 wrong. We hope landlords will continue to
19 participate in the minority areas, but the
20 whole group, new group of landlords, will
21 come into the high-opportunity areas. And
22 we hope the program works. Thank you.

23 MR. HOLDEN: Thank you. So do we.

24 Yeah, we, obviously, have the same

1 concerns, and we'll review the data as we
2 move forward.

3 MR. GOULD: Yeah.

4 MR. HOLDEN: And we haven't seen a big
5 uptick in rejections yet, rent rejections.
6 So we're hoping that the Group 1 will be a
7 bit as effective as we think. But it's only
8 been a couple weeks, so we'll see as we --

9 MR. GOULD: So landlords are still
10 applying and --

11 MR. HOLDEN: Yeah, still applying.
12 They still been agreed to the rents that
13 we've been offering, for the most part.
14 But, you know, it's only been a couple
15 weeks. And we'll see as we've been tracking
16 it.

17 MR. GOULD: How about in the
18 higher-opportunity areas?

19 MR. HOLDEN: We haven't -- we've only
20 had a couple of those areas that actually we
21 signed up since April. So it's -- you know.
22 Haven't seen quite the uptick yet.

23 MR. GOULD: Yeah, I think -- I don't
24 know other parts of the country, but I think

1 in Philadelphia it's going to be difficult.

2 MR. HOLDEN: Yeah, so do I.

3 MR. GOULD: Anyway. Thank you.

4 MR. HOLDEN: Thank you.

5 * * *

6 (Whereupon, the hearing concluded

7 at 10:19 a.m.)

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C E R T I F I C A T I O N

I, Alice Mattes, a Court Reporter and Notary Public, do hereby certify the foregoing to be a true and accurate transcript of the proceedings in this matter, as transcribed from the stenographic notes taken by me.

Alice Mattes
Court Reporter
Notary Public

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