



**SACRAMENTO
HOUSING AND REDEVELOPMENT OFFICE
AGENCY**



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CITY MANAGER'S OFFICE
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SACRAMENTO HOUSING AUTHORITY
CITY OF SACRAMENTO

Housing Authority of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Authorization to Revise and Implement New Utility Allowances for the Section 8 Existing Housing Payments Program for the City of Sacramento.

SUMMARY

The Department of Housing and Urban Development (HUD) requires that Agency staff review its Utility Allowances for the Section 8 Program annually. When the review indicates that a revised Allowances schedule reflects a variance of 10% or more, the Allowances must be revised.

The last revision to the Section 8 Utility Allowances was implemented on January 1, 1986. A recent review indicates that utility rates have increased significantly enough to warrant such a revision.

Therefore, the action proposed is to authorize the Executive Director to revise and implement new utility allowances for the Section 8 Existing Housing Payments Program for the City of Sacramento, as follows:

1. New Utility Allowances will be applied to all new Section 8 Housing Assistance Payments Contracts to be effective on August 1, 1988.
2. New Utility Allowances will be applied to all Section 8 Program participants currently being assisted whose eligibility recertifications are effective beginning on November 1, 1988.

BACKGROUND

Families assisted under the Section 8 Program have their rents and utilities subsidized. These subsidies are reflected when the rent portions for the families and the Authority's are calculated. Utility allowances are used in these calculations.

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HUD requires that Utility Allowance schedules are reviewed annually to assure that assisted families have their utilities appropriately subsidized. Utility rates for both electricity and gas services are reviewed along with consumption rates typically anticipated to be experienced by families. Utility allowances for other services, primarily tenant-furnished appliances, are also subsidized and must be reviewed as well.

As SMUD rates for electricity have escalated over the past two years, the need for a revision of the Allowances became clear.

The staff received consumption rates from the local HUD Field Office and applied them to the rate structures used by both SMUD and P.G. & E. Current rates for both electricity and gas were used in determining the proposed Allowances. Calculations are then made based the size of the unit, the combinations of gas and electric service, and the types of appliances used by the families. In addition, the 9% City utility users tax is added on units leased in the City. Calculations made were previously approved by HUD and consistent with the method used in the 1986 revision.

The purpose of the Allowances is not to subsidize the entire cost of utilities experienced by assisted families. Some families may consume utilities conservatively while other families may use their electricity and gas services expansively. However, the new Allowances will reflect the rate increases heretofore experienced and will be suitable for assisted families who will be moderate in their consumption.

The programmatic impacts of increased allowances are as follows:

1. Approvable rents for Section 8 Certificates will decrease.

Section 8 Certificates are subject to Fair Market Rent (FMR) limits established by HUD. When new dwelling units enter the program, the maximum approvable rents are determined by adding the proposed rent of the unit to the appropriate Utility Allowance for the size of that unit. The sum of those two amounts is called the "Gross Rent." The gross rent cannot exceed the FMR. Section 8 Housing Vouchers are not subjected to the FMR test.

When the Allowances are increased, it follows that approvable rents for new dwelling units must decrease proportionately to meet the gross rent test. The overall impact will mean that some rent levels previously approved may not be approvable after the implementation of the new Allowances.

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If the staff finds that the new Allowances negatively impact approvable rent levels significantly, the staff will request that HUD increase the FMR ceilings to alleviate this pressure on approvable rents.

2. Families assisted by Section 8 Certificates will pay less rent.

Family rent portions are determined by taking 30% of their monthly adjusted income and subtracting the applicable Utility Allowance. When the Allowances are increased, the family portions will decrease accordingly after the implementation of the new Allowances. Concomitantly, subsidies for assisted families will increase.

3. Families assisted by Section 8 Vouchers will not experience a change in payments.

Because of the inherent differences in the Section 8 Housing Voucher Program, increased Allowances do not impact voucher subsidy calculations as described above. To directly address the issue of higher utility costs, an increase in the Voucher Program Payment Standards would be required.

Payment Standards are used to calculate Voucher rent subsidies. Subsidies are derived by subtracting 30% of a family's monthly adjusted income from the Payment Standard. Utility Allowances are indirectly built into the calculation.

The staff is not recommending a change in the Payment Standards at this time. An adjustment to the Payment Standards requires much more study and will be accomplished at a later time. It is not critical that this matter be immediately addressed for the Voucher Program.

FINANCIAL DATA

It is anticipated that increased Utility Allowances will increase the levels of subsidies currently provided to families being assisted by Section 8 Certificates. However, because those subsidies are based on family incomes and those incomes vary from family to family, it is impossible to determine the actual level of those increased subsidies.

The financial structure of the Section 8 Program has been designed to accommodate such increases. If unforeseen overruns in projected subsidies do occur, HUD has indicated that amendments to the contract authority for the Program would be made.

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ENVIRONMENTAL REVIEW

No environmental review is required for this activity.

POLICY IMPLICATIONS

The actions proposed in this staff report are consistent with previously approved policy and there are no changes being recommended.

VOTE AND RECOMMENDATION OF COMMISSION

It is anticipated that at its meeting of July 18, 1988, the Sacramento Housing and Redevelopment Commission will adopt a motion recommending that you take the above mentioned action. In the event they fail to do so, you will be advised prior to your July 19, 1988 meeting.

RECOMMENDATIONS

The staff recommends adoption of the attached resolution which authorizes the Executive Director to revise and implement new Utility Allowances for the Section 8 Existing Housing Assistance Payments Program, as follows:

1. New Utility Allowances will be applied to all new Section 8 Housing Assistance Payments Contracts to be effective on August 1, 1988.
2. New Utility Allowances will be applied to all Section 8 Program participants currently being assisted whose eligibility recertifications are effective beginning on November 1, 1988.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:

Walter J. Slupe

WALTER J. SLUPE, City Manager

4956L

RESOLUTION NO. 88-033

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO
ON DATE OF

July 19, 1988

AUTHORIZATION TO REVISE AND IMPLEMENT NEW UTILITY ALLOWANCES
FOR THE SECTION 8 EXISTING HOUSING PAYMENTS PROGRAM FOR THE
COUNTY OF SACRAMENTO

BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE CITY OF
SACRAMENTO:

Section 1: The Executive Director is authorized to
revise and implement new utility allowances used in determining
tenant rental payments for the Section 8 Existing Housing
Payments Program for the County of Sacramento.

Section 2: New Utility Allowances will be applied to
all new Section 8 Housing Assistance Payments Contracts to be
effective on August 1, 1988.

Section 3: New Utility Allowances will be applied to
all Section 8 Program participants currently being assisted whose
eligibility recertifications are effective beginning on November
1, 1988.

Section 4: The new utility allowance schedule is
attached as Exhibit A to this resolution.

CHAIR

ATTEST:

SECRETARY

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