

**RALEIGH HOUSING AUTHORITY**  
**Frequently Asked Questions about the new Rent Reasonableness Process**  
**Updated August 15, 2013**

**(1) Why is RHA changing the way it determines rent reasonableness which may result in lowering my rent?**

A. The appropriation used to pay landlords was reduced by 6% as a result of the Sequester resulting in a \$1.6 million reduction in that budget line at RHA. Further, the cut was announced well into RHA's year but it was retroactive to January 1. This meant that RHA had already paid landlords based upon full funding and has to reduce its cost by more than 6% during the final 7 months of the funding year to result in an average cut of 6% for the entire year. Quite simply, RHA cannot fund what is not appropriated by Congress.

**(2) Who is affected by the new rent reasonableness being implemented by RHA?**

A. This applies to all landlords in Wake County who are asking for more rent for their units than comparable units rent for in their general area.

**(3) Does the landlord have to accept the lower rent?**

A. No. Participation in the HCV program is voluntary for all concerned. The landlord needs to make a business decision. If the landlord believes the higher rent being sought is reasonable and he can get it on the private market, he has the option at the end of his contract to opt out of the program.

**(4) Are the lower rents effective immediately?**

A. No. The lower rents, if applicable, are effective at the end of the current Housing Assistance Payment contract. RHA has chosen to honor the current rents through the end of the contract rather than terminating them early.

**(5) How is the rent reasonableness determined?**

A. The steps are:

1. Tenant selects a unit which is evaluated based upon a point system which rates such things as whether utilities are provided, storage is included, there is a management office and adequate parking on-site, etc.
2. Three zip codes with up to five comparable units per zip code (up to 15 units) are selected from the RHA database.
3. The rents of the comparable units in each zip code are adjusted up or down for the difference in rating scores (see 5.A.1) between those units and the selected unit. (Example: if the selected unit has a score of 500 and a comparable unit from the database has a score of 550, the rent of the comparable unit would be adjusted upward by 10% to provide the comparable rent. This adjustment is performed for all comparable units in each zip code.)
4. After the adjustment in 5.A.3 is completed, an average rent is calculated for each zip code. The lowest average rent of the three zip codes is designated as the reasonable rent. This is the change. RHA previously used the middle rent of the 3. Further, as long as the rent didn't exceed the highest of the 3, if the landlord asked for and was eligible for a rent increase, RHA would grant it.

**(6) Does this action target landlords in zip codes where rents are typically lower?**

A. No. All zip codes in Wake County are affected. Further, it would more likely have the opposite effect. The zip code with the lowest average rents has a slightly better shot at receiving a higher comparable rent since the adjoining zip codes have higher comparable rents. On the other hand, units in the zip code with the highest rents are compared with adjoining zip codes which by definition have lower rents. They are slightly more likely to receive a lower reasonable rent since RHA uses the lowest of the 3 comparable rents.

**(7) Is RHA doing this to raise money? Does RHA keep the savings generated by reducing the rents?**

A. No. Housing Assistance Payments (HAPs) flow through RHA. Money appropriated that is not paid to landlords is returned to HUD. If RHA spends more than is appropriated, RHA must fund the difference and RHA does not have that type of funding available.

**(8) Will RHA continue to use this method of calculating reasonable rents in the future?**

A. RHA does not know what Congress will appropriate or how HUD will regulate the program in the future. RHA will make changes deemed appropriate to address future changes in the program rules and funding.

**(9) I know landlords participating with other public housing authorities (PHAs) that are not being required to lower their rents. Why is RHA?**

A. Each funding situation is unique to each housing authority. For example, if a PHA was only 94% leased when the funding was announced there would be no impact as Congress appropriated 94% of the normal funding amount. If a PHA was over-leased at 105%, they would have had to cut their expenditures by at least 11% to reduce to the 94% level. RHA was very close to 100% leased when the new funding was announced.

**(10) Are all affected PHAs using the rent reasonableness to address the funding shortfall?**

A. No. Some are terminating vouchers and HAP contracts for existing participants and landlords during or at the end of the contracts. Others are canceling 1 month's payment to all landlords under their program. It depends upon how severe the situation is at each individual housing authority. RHA has to choose from the limited options available to it to determine the best approach.

**(11) I can show you higher comparable rents in my zip code. Why don't you use those to determine the rent for my unit?**

A. The Voucher program is not about paying the highest or luxury rents. It is supposed to pay a reasonable rent with the funding appropriated. This year the appropriated funding was reduced by \$1.6 million at RHA which means that not all of the rents that were reasonable under the higher funding level are reasonable under the current level. Put simply, RHA cannot afford to pay the higher rents.

**(12) What if the rent I am asking for is lower than the lowest comparable rent? May I still request a rental increase?**

A. Yes. Rent increases, now capped at \$20 per month, are approved for units where the new rent does not exceed the minimum reasonable rent and the unit meets all of the criteria for a rental increase listed in RHA's Administrative Plan.

**(13) Can the tenants pay more so that I don't have to reduce my rent?**

A. No. Any rental payments in excess of the HAP contracted rent are a violation of federal regulations.

**(14) Does all of Wake County have the same reasonable rent?**

A. No. Quoted from the Housing Choice Voucher Program Guidebook: *"Most PHAs' markets contain important submarkets (i.e., the same housing unit would rent for a different amount in a different location within the PHA's jurisdiction). Therefore, it is important for PHAs to make these submarket distinctions and to obtain data on each submarket that includes rental units within the range of affordability to voucher holders."* The Guidebook goes on to say: *"HUD requires the use of nine factors when determining a reasonable rent. They are location, quality, size, unit type, age of contract unit and amenities, housing services, maintenance and utilities provided by the owner. However, the three most important factors in explaining differences in rents are the location of the unit, number of bedrooms in the unit, and type of unit."*

**(15) Why don't you cut all landlords by the same percentage or amount?**

A. Most landlords meet the new rent reasonableness threshold already with their current rents. Only those landlords who are asking more rent for their units than comparable units in their area are being asked to reduce their rents. It is not reasonable for housing authorities to lower the rents of landlords who are already providing competitive rents in order to fund the higher rents of other landlords on the program.

**(16) Why does the housing authority determine rent reasonableness? Shouldn't that be a function of the market?**

A. Housing authorities are required by HUD to determine rent reasonableness and they use the local market to determine the reasonableness of the rents they pay to landlords. In the HCV program, housing authorities are the buyers and landlords are the vendor. As with any other governmental program, housing authorities are stewards of taxpayer dollars and must ensure they are buying services at a reasonable price.

**(17) Why not just reduce expenses by leaving vouchers unutilized when families leave the program? Other housing authorities are doing this. (Noting that some housing authorities are not re-leasing units when participants leave the program, some have suggested RHA reduce the program size to 3400 from 3869.)**

A. RHA's mission is to house families in decent, safe, and affordable housing. RHA houses as many families as possible with the funding provided. Housing almost 500 fewer families in order to pay higher than market rents is not consistent

with RHA's mission or the purpose of the program. Families needing affordable housing don't have many alternatives without a voucher. RHA's mission is to house families, not to pay higher than market rents.

**(18) Why is RHA requiring tenants to move when landlords choose not to lower their rents?**

A. Under the reduced funding, RHA cannot afford to pay the higher rents that some landlords desire. If a landlord chooses to no longer participate in the program, the tenant must find a landlord who will participate. RHA cannot issue a payment to a landlord without an active HAP contract. RHA understands the HCV program is not for every landlord. Choosing to participate is a business decision for the landlord and not all landlords are willing to abide by the statutes, regulations, and policies that govern this heavily regulated program.

**(19) Where does RHA have flexibility in the HCV program?**

A. RHA considers itself to be landlord friendly in many areas where it has choices in administering the program including:

1. When the funding permitted, RHA has used the median comparable rent to determine reasonableness rather than using the lower as allowed by the regulations.
2. When the funding was reduced, RHA chose to honor all existing contracts with landlords rather than canceling the contracts for landlords that wouldn't accept a lower rent. (The HAP contract allows termination for cuts in funding.)
3. As of this date, RHA does not abate rent after the first failed inspection as allowed by the regulations. RHA does not abate the rent until the second failed inspection.
4. When funding allowed, RHA performed third inspections in order to prevent the tenant from having to move.

**(20) How big is your rent reasonableness database?**

A. There are between 800 and 1200 units in the database for a program with 3869 vouchers.