

Robin Carter
Chair | Board of Commissioners

Janet Abrahams
President | Chief Executive Officer



MEMORANDUM

To: The Honorable President and Members of the Baltimore City Council Inclusionary Housing Committee
From: Janet Abrahams *J.A.*
Date: January 9, 2023
Re: Bill 22-0195, Inclusionary Housing for Baltimore City, Information Regarding HABC's Project Based Voucher Program

The Housing Authority of Baltimore City (HABC) is sending this memo in response to questions received from the City Council at the December 12, 2022 hearing for Bill #22-0195, Inclusionary Housing for Baltimore City, as well as information that was discussed in the Inclusionary Housing Work Group regarding HABC's project-based voucher program.

Background

HABC's Housing Choice Voucher Program (HCVP) currently administers approximately 14,000 tenant-based vouchers (TBVs) which includes 2,350 project-based vouchers (PBVs). TBVs allow participants to live in the rental property of their choice, whereas PBVs are tied to a specific number of units in a building, and the assistance stays with the unit when the tenant moves out. Funding for the voucher program, including PBVs, is awarded annually by the U.S. Department of Housing and Urban Development (HUD) and based on federal budget appropriations for the fiscal year. The number of new PBVs available each year is contingent upon funding as well as commitments to existing vouchers.

Income Levels

HUD requires that 75% of HCVP participants fall within the extremely low-income category, which is 30% or less of AMI. Currently, 90% of the applicants on HABC waiting list fall within the extremely low-income level. Most recertifications are performed on a biennial or triennial basis, with some special programs requiring annual recertifications. When there are changes to household's income, the portion of the total rent that is paid by the participant is adjusted accordingly. If a household's total tenant payment is greater than the contract rent, the household is determined to be over-income. When this happens, families are given six months to ensure they can maintain the full contract rent. If there is reduction in the family's income within that six-month period, the family can re-certify and a new amount for the tenant portion of the Housing Assistance Payment (HAP) contract will be applied.

Project Based Award Process

To receive a project-based HAP contract for a site, developers/owners must go through a competitive process in response to a Request for Proposals issued by HABC to award PBVs. Alternatively, a competitively determined award for other housing resources to a project will satisfy the competitive award requirement, such as an award

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to the site of 9% Low Income Housing Tax Credits. In addition, the site of the project must satisfy HUD's requirements for site selection standards; subsidy layering review; and environmental review. The execution of a HAP contract is contingent upon compliance with all HUD requirements, as well as the property having a use and occupancy permit and passing HQS inspection. HABC's current RFP authorized funding for 200 PBVs, over half of which have been committed. HABC is in the process of reviewing other proposals. Therefore, as of the date of this memo, HABC is not able to determine how many PBVs will be available for future use.

Although there are challenges in getting developers to participate in the PBV program, we do not consider it to be underutilized. HUD regulations state that public housing authorities (PHAs) may select owner proposals to provide project-based assistance for up to 20% of the amount of budget authority allocated to the PHA by HUD. HABC has HUD approval to use up to 30% of its annual voucher funding to provide project-based assistance.

Rent Determination

HABC will determine and document that the approved rent is reasonable in comparison to rent for other comparable unassisted units in the market. HABC will not approve a lease until it is determined that the initial rent to owner is a reasonable rent. At all times during the assisted tenancy, the rent to owner may not exceed the reasonable rent as most recently determined or re-determined by HABC. The voucher payment standard amount used to calculate the HAP for a family is set by HABC between 90 and 135 percent of the HUD published Fair Market Rents (FMR) for the Baltimore-Columbia-Towson HUD Metro FMR Area at the 50th percentile. The payment standard amount is assigned by the neighborhood or area of the unit's location. HABC reviews the appropriateness of the payment standard annually when the FMR is published. In determining whether a change is needed, HABC will ensure that the payment standard is within the range of 90 to 135 percent of the published FMRs.

Average Annual Costs and Voucher Availability

The average annual cost to fund one household's voucher is approximately \$13,200 per year. This includes HAP contract payments and administrative costs. Rising rents and uncertain funding levels are among the biggest concerns that the HCV program regularly faces. Due to fluctuations in annual funding and current commitments, HABC is unable to predict the number of new PBVs that may be available for developers seeking assistance under an Inclusionary Housing requirement.

We trust that the information provided in this memorandum answers the questions and issues that were presented to HABC.