

# ALLEGHENY COUNTY HOUSING AUTHORITY HOUSING CHOICE VOUCHER PROGRAM

## Subsidy and Family Share Calculations

The information listed below endeavors to explain how HCV rent is calculated and explains the factors that affect the amount of housing assistance ACHA will pay on behalf of a family and the amount the family will pay toward the cost of rent and utilities.

Please note: It is not until after the family has selected a specific unit that the ACHA is able to calculate the actual housing assistance payment and family share.

### Definitions:

- *Family rent to owner:* In the voucher program, the portion of rent to owner paid by the family.
- *Family share:* The portion of rent and utilities paid by the family.
- *Gross rent:* The sum of the rent to owner plus any utility allowance.
- *Housing Assistance Payment (HAP):* The monthly assistance payment by ACHA, which includes: (1) a payment to the owner for rent to the owner under the family's lease; and (2) an additional payment to the family if the total assistance payment exceeds the rent to owner.
- *Rent to Owner:* The total monthly rent payable to the owner under the lease for the unit. Rent to owner covers payment for any housing services, maintenance and utilities that the owner is required to provide and pay for.
- *Utility Reimbursement:* If HAP exceeds rent to the owner, ACHA will pay the balance directly to the family.

### Maximum Subsidy:

When a family is issued a voucher, ACHA can calculate the maximum subsidy it will pay on behalf of the family. The maximum subsidy is calculated by subtracting the Total Tenant Payment (TTP – calculated at 30% of tenant's adjusted income) from the payment standard.

### **Example – Calculating Maximum Subsidy**

The Beagles just received their voucher from ACHA. Their TTP is \$220. The Payment Standard is \$460.

Payment Standard:	\$460
TTP:	<u>-\$220</u>
Maximum Subsidy:	\$240

Subtracting \$220 (TTP) from \$460 (Payment Standard) results in \$240. Therefore, the Beagles know ACHA will not pay more than \$240 toward their housing costs. Note the actual subsidy paid by ACHA will depend on the amount of rent charged by the owner for the specific unit chosen by the Beagles.

### Rent to Owner and Gross Rent:

- *The rent to owner* is the full rent the owner is charging for the unit, including any utilities the owner provides under the lease.
- *The gross rent* represents the entire housing cost. It is calculated by adding the rent to the owner and the utility allowance for the unit. If all utilities are included in the rent, the rent to the owner and the gross rent will be the same.

### **Example – Gross Rent**

**Example 1:** The Beagles found a one-bedroom unit that ACHA approved for tenancy. The owner of the unit charges \$450 a month for rent. The cost of utilities is not included in the rent. ACHA has established the utility allowance for the unit is \$55.

\$450	Rent to owner
<u>+\$55</u>	Utility Allowance
\$505	Gross Rent

To obtain the gross rent for the Beagles' unit, add \$55 to \$450, which results in \$505.

**Example 2:** The Labradors are considering moving to a three bedroom unit, which the owner is offering at \$800 per month. Under the lease, the rent covers all utilities except telephone.

\$800	Rent to owner
<u>+\$0</u>	Utility Allowance
\$800	Gross Rent

Because the owner pays for the costs of utilities as part of the charge for rent, a utility allowance is not applicable for this unit. Therefore, if the Labradors lease up in this unit, the rent to owner and the gross rent are the same amounts.

### ACHA SUBSIDY:

- After a family has selected a unit and the unit size and gross rent for the unit is known, the actual housing assistance payment (HAP) can be calculated by ACHA. The subsidy cannot exceed the maximum subsidy. However, the HAP may be less than the maximum subsidy of the gross rent for the unit selected if it is less than the payment standard.
- ACHA will pay a monthly HAP that is equal to the **LOWER** of:
  - ❖ The applicable payment standard for the family minus TTP
  - ❖ The gross rent minus TTP

### Examples – Calculating the HAP

The Pugs are a family of four, who have been issued a 3-bedroom voucher by ACHA. The TTP for the Pugs is \$220. ACHA's 3-bedroom payment standard is \$465. During the housing search, the Pugs find two units they like, both 3 bedrooms. For one unit, the gross rent (rent to owner plus utility allowance) comes to \$440. The gross rent for the other unit is \$485. If the Pugs select the unit for \$440 per month, the HAP is the **LOWER** of the following amounts:

\$245	Payment standard minus TTP (\$465 - \$220)
\$220	Gross rent minus TTP (\$440 - \$220)

HAP = \$220

If the Pugs select the unit for \$485 per month, the HAP is the **LOWER** of the following amounts:

\$245	Payment standard minus TTP (\$465 - \$220)
\$265	Gross rent minus TTP (\$485 - \$220)

HAP = \$245

#### **Impact of unit selection on subsidy:**

- When a family selects a unit with fewer bedrooms than the family unit size listed on the voucher, ACHA is required to re-compute maximum subsidy.
- ACHA must apply the payment standard for the **SMALLER** of the family size listed on the voucher or the unit size selected by the family. For example, voucher size is a 3-bedroom but unit size is a 2-bedroom. Payment standard used would be for a 2-bedroom unit. Likewise, voucher size is a 2-bedroom unit but unit size is a 3-bedroom unit. Payment standard used would be for a 2-bedroom unit even though the larger unit is leased.
- Utility allowance is based on the voucher size if a larger unit is rented.
- Utility allowance is based on the unit size if a unit smaller than the voucher size is rented.

#### **Example – Calculating the family share with a gross rent *AT OR BELOW* the Payment Standard**

The Boxer family selected a 2-bedroom unit within ACHA's jurisdiction. The gross rent (owner rent plus utility allowance) for the unit selected is \$450, the payment standard is \$475 and the Boxer family's TTP is \$240.

When ACHA compares the gross rent (\$450) to the payment standard (\$475), it finds the gross rent is less than the payment standard. When this situation occurs, the family share equals the TTP. Thus, the Boxer family share is \$240.

**Example – Calculating the family share with a gross rent *ABOVE* the payment standard**

Instead of selecting a 2-bedroom unit with a gross rent of \$450, the Boxer family chooses a 2-bedroom unit with a gross rent of \$485. The Boxer family’s TTP and payment standard remain the same.

\$485	Gross Rent
<u>-\$475</u>	Payment Standard
\$10	Difference

When ACHA compares the gross rent to the payment standard, it finds the gross rent is \$10 higher than the payment standard. As a result, the Boxer family’s share will be a higher amount than their TTP.

\$240	TTP
<u>+\$10</u>	Difference between gross rent and payment standard
\$250	Family Share

Add \$10 to \$240 to obtain the family share. The Boxer family will pay \$250 as their family share.

**The scenarios listed above also pertain to any rent increase the owner is requesting. Therefore, any rent increase will be affected by utility allowance *plus* the owner requested rent increase amount. Please see examples above to calculate gross rent. Please note if the gross rent is *above* the payment standard, the family share will be greater than his or her family share.**

**REMEMBER: ACHA can only pay up to the payment standard.**

**If your rent increase causes the gross rent to be higher than the payment standard, you MUST have the tenant’s agreement in writing to pay the higher rent portion.**

**Rent Reasonableness:**

Rent reasonableness is an important factor in ACHA’s determination to approve the family’s tenancy and rent increase. It involves a test based on a system of data collection and analysis regarding the rents throughout ACHA’s jurisdiction. The rent the owner is charging for a specific (assisted) unit is considered by applying it to the available data. The ACHA then makes a determination whether the rent for the unit is reasonable.

*Rent reasonableness* is defined by HUD as “a rent to owner that is not more than rent charged: (1) for comparable units in the private unassisted market; and (2) for comparable unassisted units in the premises.

The purpose of rent reasonableness test is to assure that:

- A fair rent is paid for units selected for participation in the Voucher program; and
- The program does not have the effect of inflating rents in the community.

**When rent reasonableness is used:**

ACHA must determine the reasonable rent:

- Before any increase in the rent to owner
- At initial lease up
- If directed by HUD

*If you have any questions regarding the above information, please send your questions in writing to [landlords@achsng.com](mailto:landlords@achsng.com).*