



Housing Commission

26 October 2022

Mayor Himmelrich and City Council Members
1685 Main Street
Santa Monica, CA 90401

Dear Santa Monica City Council,

The Santa Monica Housing Commission voted on 6 October 2022 to advise the City Council and Housing Authority Board to direct Santa Monica Housing Authority (SMHA) staff to do the following by the January 2023 Department of Housing and Urban Development (HUD) deadline for such actions:

1. Change the SMHA Housing Choice Voucher (HCV) payment standard basis from an exception to the Fair Market Rate (FMR) to the Small Area Fair Market Rate (SAFMR) with some corrections, and
2. Increase SMHA HCV payment standards to reflect current market rents, using available discretionary measures.

Recommendation 1

The Housing Commission strongly advises changing the HCV payment standard *from* the greater Los Angeles area metro Fair Market Rate (FMR) for several reasons:

- A. The LA metro FMR is historically significantly lower than the FMR in Santa Monica¹; it is not a logical basis from which to begin determining a payment standard for Santa Monica.
- B. Because the LA metro FMR is inadequate for Santa Monica, SMHA must deviate from the metro FMR by utilizing a HUD exception to increase payment standards accordingly. In 2016 that exception was approximately 175% of the metro FMR for a two bedroom unit.
- C. Continuing to bridge the discrepancy between the metro FMR and Santa Monica rents with an exception from HUD gives an artificially and inappropriately low baseline that contributes to

¹ See <https://www.huduser.gov/portal/datasets/fmr.html> for Los Angeles–Long Beach–Glendale, CA HUD Metro FMR Area; <https://www.huduser.gov/portal/datasets/fmr/smallarea/index.html> for Santa Monica zip codes 90401–90405.

unfair housing practices. Disability accessible housing is difficult to find, especially in Santa Monica. Where it does exist, it tends to be more expensive than average units. However, disabled, low income Santa Monicans are uniquely prevented from receiving a payment standard increase as a reasonable accommodation of disability, despite the ubiquity of this practice nationwide, because HUD caps PHA approval of such exceptions at 120% of the metro FMR², which the SMHA payment standard already exceeds with the HUD exception. While HUD may approve a payment standard above 120% as a reasonable accommodation³, such approvals are rare, and usually do not exceed 140% metro FMR⁴, which the SMHA payment standard also already exceeds with the HUD exception. Therefore, a metro FMR payment standard basis for SMHA payment standards uniquely discriminates against disabled and low income Santa Monicans, preventing them from securing accessible local housing.

The Housing Commission strongly recommends changing the SMHA HCV payment standard basis to the Small Area Fair Market Rate (SAFMR) for several reasons:

- D. SAFMR, unlike the metro FMR, defines fair market rate by individual zip code⁵ instead of the average of all zip codes across a large region. By definition, it is tailored to the actual housing prices in the City of Santa Monica, zip codes 90401-90405.
- E. SAFMR does not require a HUD payment standard exception to mitigate a fundamentally inaccurate metro FMR.
- F. The National Housing Law Project (NHLP) and Poverty and Race Research Action Council (PRRAC) recommend SAFMR as best practice across housing jurisdictions because it is granular, and therefore more fair and efficient. Payment standards based on SAFMR raise or lower those based on metro FMR according to hyperlocal housing costs, resulting in payment standards that are neither too high nor too low for an area.⁶
- G. Because a SMHA HCV payment standard based on SAFMR may be raised to 120% SAFMR by the PHA as a reasonable accommodation of a disability, and higher if necessary with HUD approval, disabled, low income Santa Monicans will be provided with more equal access to housing via SMHA programs, as required by federal law.⁷

Furthermore, the Housing Commission recommends that SMHA ask HUD to reevaluate the listed SAFMR for zip codes 90404 and 90405, which are lower than actual market rates in those areas due

² 24 CFR § 982.505(d).

³ 24 CFR § 982.503(c)(3).

⁴ Personal communication with HUD staff, late 2021.

⁵ <https://www.huduser.gov/portal/datasets/fmr/smallarea/index.html>

⁶ https://prrac.org/wp-content/uploads/2018/07/NHLP_PRRAC_Voluntary_SAFMR_One-Pager.pdf

⁷ https://www.hud.gov/program_offices/fair_housing_equal_opp/disability_overview

to insufficient data. While this request is important to ensure the federally determined SAFMR is accurate throughout Santa Monica, it need not delay or immediately impact the Housing Commission's other recommendations, as there are discretionary corrective measures available to SMHA to make minor adjustments to SAFMR in select zip codes, as detailed below.

Recommendation 2

In addition to changing the SMHA HCV payment standard basis from a broad and inaccurate metro area FMR to a granular and custom SAFMR, the Housing Commission also strongly recommends SMHA raise the resulting HCV payment standards to accurately reflect current Santa Monica market rents. This is crucial for several reasons:

- A. Adequate HCV payment standards are required to ensure issued HCVs can be utilized at all. Santa Monica's outdated payment standards currently make it difficult for SMHA program participants to find habitable housing to which they can apply their HCV⁸.
- B. Adequate HCV payment standards are required to ensure SMHA program participants can utilize their HCVs across the city, not just in the Pico and Downtown neighborhoods, particularly areas lining I-10, where they are currently concentrated. Such housing mobility affirmatively furthers fair housing as directed by HUD.⁹
- C. The primary data underlying annual SAFMR determinations by HUD are 2-6 years old¹⁰. Therefore, annual SAFMR listings will always be somewhat out of date, potentially requiring Public Housing Authorities (PHAs) to make discretionary adjustments to account for current market rents.
- D. In times of economic and social upheaval, such as the prolonged coronavirus pandemic, market rents may shift more than usual, requiring local correction to ensure HCVs remain usable.

Changing the SMHA payment standard basis to a SAFMR model, as the Housing Commission strongly recommends, would increase the payment standards for each Santa Monica zip code as indicated in Table 2 below, except where highlighted in yellow. These highlighted portions show problematic impacts, mostly on the Pico Neighborhood.

⁸ Personal experience and hundreds of personal communications, 2021-2022.

⁹ <https://www.hud.gov/AFFH>

¹⁰ <https://www.federalregister.gov/documents/2022/09/01/2022-18905/fair-market-rents-for-the-housing-choice-voucher-program-moderate-rehabilitation-single-room>

Based on data and recommendations submitted to the Housing Commission by Denise McGranahan, Senior Staff Attorney at the Legal Aid Foundation of Los Angeles (LAFLA), Santa Monica Office¹¹, the Housing Commission strongly recommends the following additional changes to address concerns about the 90404 and 90405 zip codes:

In addition to changing the payment standard basis to SAFMR, increase payment standards for the zip codes and unit sizes highlighted in yellow in Table 2 (1-4 bedroom units in 90404; 2 bedroom units in 90405) to 120% SAFMR as indicated in the figures in Table 2 highlighted in green.

Table 1: Current SMHA payment standards based on metro FMR, unchanged since 2016¹²

	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
	\$1512	\$1930	\$2640	\$3366	\$3366

Table 2: Santa Monica payment standards at 100% SAFMR by zip code, with 120% SAFMR for negatively impacted unit sizes in 90404 and 90405¹³

Zip Code	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
90401	\$2210	\$2520	\$3200	\$4160	\$4570
90402	\$2020	\$2300	\$2930	\$3810	\$4180
90403	\$2260	\$2580	\$3280	\$4260	\$4680
90404	\$1620	\$1850	\$2350	\$3050	\$3350
90405	\$1820	\$2070	\$2630	\$3420	\$3750
120% SAFMR 90404	–	\$2220	\$2820	\$3660	\$4020
120% SAFMR 90405	–	–	\$3156	–	–

¹¹ Correspondence from Denise McGranahan, Senior Staff Attorney at LAFLA, Santa Monica Office, 6 October 2022.

¹² <https://www.santamonica.gov/housing-payment-standard%5C>

¹³ Correspondence from Denise McGranahan, Senior Staff Attorney at LAFLA, Santa Monica Office, 6 October 2022.

Agencies in any metropolitan area that voluntarily adopt a SAFMR payment standard basis have the option to set payment standards for any or all of the ZIP codes they serve, simply by notifying HUD by email. Furthermore, as with exception payment standards, housing authorities can increase payment standards to 120% SAFMR through December 2023 with field office approval.¹⁴ The Housing Commission strongly recommends the latter action, increasing the payment standards in the zip codes and unit sizes highlighted in yellow to 120% SAFMR.

City staff have and continue to argue that raising the SMHA payment standard will reduce the total number of vouchers in Santa Monica. This argument is problematic for several reasons:

1. It is disingenuous to denounce relatively fewer vouchers when SMHA does not issue all of the vouchers they currently have.
2. It assumes SMHA is permitted a finite number of vouchers, which is inaccurate. The federal government has increased, and has announced it will continue to increase, HUD spending, making more vouchers available; SMHA only has to request them.
3. Many SMHA HCV holders already occupy units with contract rents that exceed current payment standards. These low income Santa Monicans are leaving and will continue to leave Santa Monica because insufficient payment standards force them to pay the ever increasing difference between the voucher value and the contract rent, resulting in widespread rent burden that often exceeds 50% of program participants' income.
4. Finally, and perhaps most importantly, a higher number of SMHA vouchers with payments standards too low to utilize in Santa Monica are worthless. Program participants must find an apartment to rent for less than the payment standard amount within a fixed timeframe or they lose their vouchers. Those forfeited vouchers are subsequently issued to others, who face the same difficulty using them, and so on. Higher numbers of unusable vouchers cannot be preferable to lower numbers of usable vouchers.

The Santa Monica Housing Authority payment standards are counterproductively outdated and low. Furthermore, the poorly correlated metro FMR payment standard basis poses several challenges. Fortunately, HUD provides a clear solution for cities like Santa Monica, where SAFMR based payment standards may be adopted and adjusted as needed, thereby more closely aligning payment standards with the precise local market rents to which they must apply.

Santa Monica has an opportunity to demonstrate, and include in annual SMHA reporting, its active efforts to increase HCV utilization and affirmatively further fair housing. Please ensure this vital progress by directing staff to adopt the Housing Commission recommendations detailed above with

¹⁴ Correspondence from Denise McGranahan, Senior Staff Attorney at LAFLA, Santa Monica Office, 6 October 2022.



haste, and before all relevant HUD deadlines for 2023 implementation of such changes. Thank you in advance for your consideration of this increasingly urgent matter for thousands of low income Santa Monicans.

Sincerely,

Michelle Gray

Chair, Santa Monica Housing Commission

On behalf of the entire Santa Monica Housing Commission