

Metropolitan Council Housing and Redevelopment Authority

# 2018 Federal Funding Discussion

April 2, 2018

Community Development Committee



# Housing Choice Voucher Funding

- Federal funding - Awarded annually through Congressional Appropriations
- Federal fiscal year runs October - September
  - Housing authorities funded on calendar year
- Budget deal passed on March 23, 2018
- HUD has 60 days to provide funding notice
- 3 months into 2018 without knowing how much \$\$ = Problem

# Federal Budget – Two Parts

Subsidy Funding	Administrative Funding
Rent payments to Landlords	Operating Costs Staffing, overhead
Appropriated by Congress	Appropriated by Congress
*\$55 Million	*\$6 Million

\*discussion later in presentation

# Budget Considerations

- HUD Rule =
  - Serve up to baseline vouchers (6,502) while remaining within budget authority
    - This can include use of own funds
- Goal is to serve as many families as possible
  - Impacted by per family subsidy costs
- Low vacancy rates = higher rents
  - Higher average subsidy cost per family

# Rent Payments

- Tenants pay 30% of income towards rent
- HRA pays remainder

## Examples

Rent – 3 Bedroom apartment (Maplewood) \$1,200  
(minus) 30% family monthly income - \$500  
(equals) HRA subsidy payment = \$700

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Rent – 3 bedroom apartment (Eden Prairie) \$1,500  
(minus) 30% family monthly income - \$500  
(equals) HRA subsidy payment = \$1,000

# Average Per-Family Subsidy

Year	# Vouchers	Average Per-Family Subsidy	Annual Cost
2013	6,500	\$668	\$52,104,000
2014	6,500	\$664	\$51,792,000
2015	6,500	\$656	\$51,168,000
2016	6,500	<b>\$670</b>	\$52,260,000
2017	6,500	<b>\$709</b>	\$55,302,000

# Budget Scenarios

## For Example

Budget = \$55 Million

- Higher subsidy per family = fewer families served
- A \$20 increase in average subsidy = service to 200 less families

Average Per Family Subsidy	Families Served
\$700	6,547
\$710	6,455
\$720	6,365

# 2018 Subsidy Budget Projections

- 2018 funding based on 2017 spending **if** enough \$\$ appropriated by Congress
- Federal budget includes 100% subsidy funding
  - Spent \$54.9 Million in 2017
  - Should receive \$54.9 Million in 2018
- Cannot serve maximum number of families with funding
  - Increased average subsidy results in 200 family reduction to remain within budget



# Subsidy Budget Options

## Options:

### 1. Reduce program size by 200 families

- Halt new admissions - No waiting list selections
- Could accomplish without terminating existing families
  - Reduce through program attrition

### 2. Use reserves to cover subsidy costs

- \$1.7 Million to cover subsidy for 200 families
- Not sustainable
- Current reserve balance \$7.9 million
  - Council target \$5.5 million

# Administrative Fee History

Year	Pro-ration Factor	Annual Fees 100%	Annual Fees – Pro-rates
2013	75%	\$5.6 Million	\$4.2 Million
2014	80%	\$5.7 Million	\$4.6 Million
2015	81%	\$5.8 Million	\$4.7 Million
2016	84%	\$5.9 Million	\$4.9 Million
2017	77%	\$6.2 Million	\$4.8 Million
2018	77%	\$6.4 Million	\$4.9 Million

**2018 Budget**  
**Salaries and overhead = \$5.4 million**

# Administrative Funding

- Federal budget does not fully fund administrative costs
  - 77% proration
- Difficult to balance operating budget
  - Reduced funding
  - Rising costs
- Estimated 2018 deficit - \$800k

# Administrative Funding - What to do?

1. Continue to analyze program efficiencies
  - Paperless System
  - Online process – no more in-person client meetings
  - Take advantage of program flexibilities (ie. inspection every two years on some units)
2. Use reserves to cover administrative costs
  - 2018 Budget – (\$800,000)
3. Reduce staffing
  - 16% staff reduction - 7 positions at current salaries
  - Customer service impacts
  - Difficult to meet federal requirements

# Policy Discussion

Subsidy Funding	Administrative Funding
Rent payments to Landlords	Operating Costs
Not enough \$\$ to serve all 6,500 families	\$800k deficit for 2018
Reduce program size by 200 families?	Fund deficit with program reserves?
Use Administrative Fees to fund subsidy costs - \$1.7 Million?	Staff layoffs?

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