

Metropolitan Council
Housing and Redevelopment Authority

Payment Standards Discussion

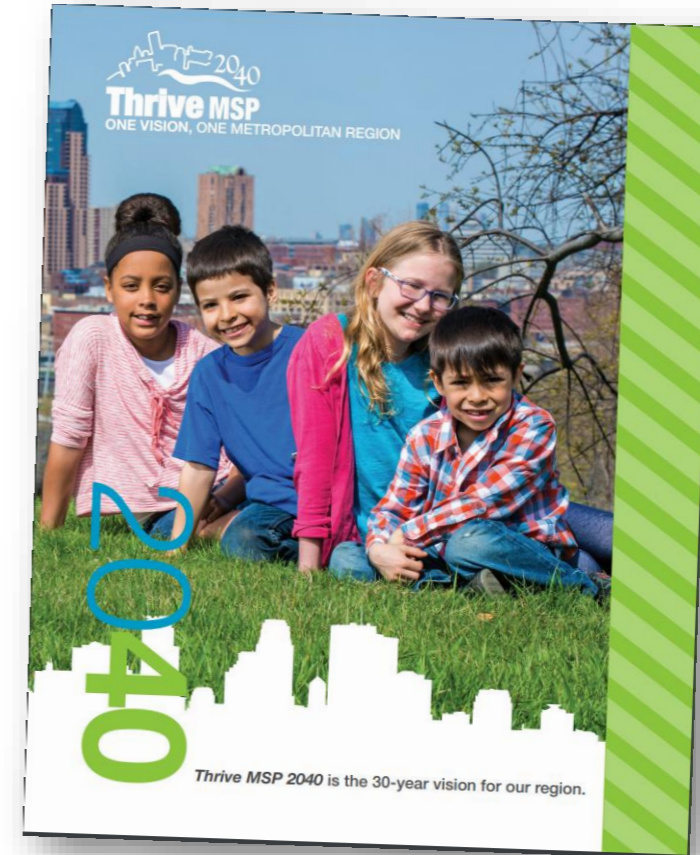
November 18, 2019

Community Development Committee



Council Policy Direction

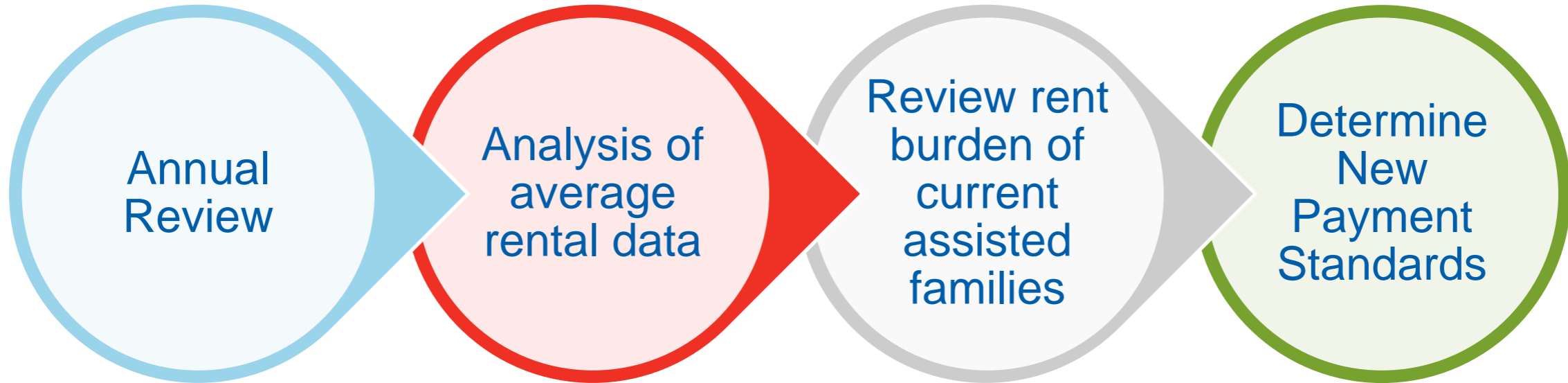
- Thrive “will” statements provide direction
 - Offer housing options that give people in all life stages viable choices for stable housing;
 - Develop and provide tools, including competitive rent limits in higher-cost communities to enable voucher holders to choose a location that best meets their needs
- Council’s housing goal
 - Become a region with a broader housing spectrum where all people can thrive.



Payment Standards

- Payment Standards = Rent Limits
 - Amount needed to rent a modest housing unit
- Limited by Fair Market Rents (FMR) set by HUD
 - Increased by 5.3% - 7%
- Set between 90% and 110% of FMR by bedroom size
- High enough to allow choice in all neighborhoods
- Low enough to serve as many families as possible

Payment Standard Review Process



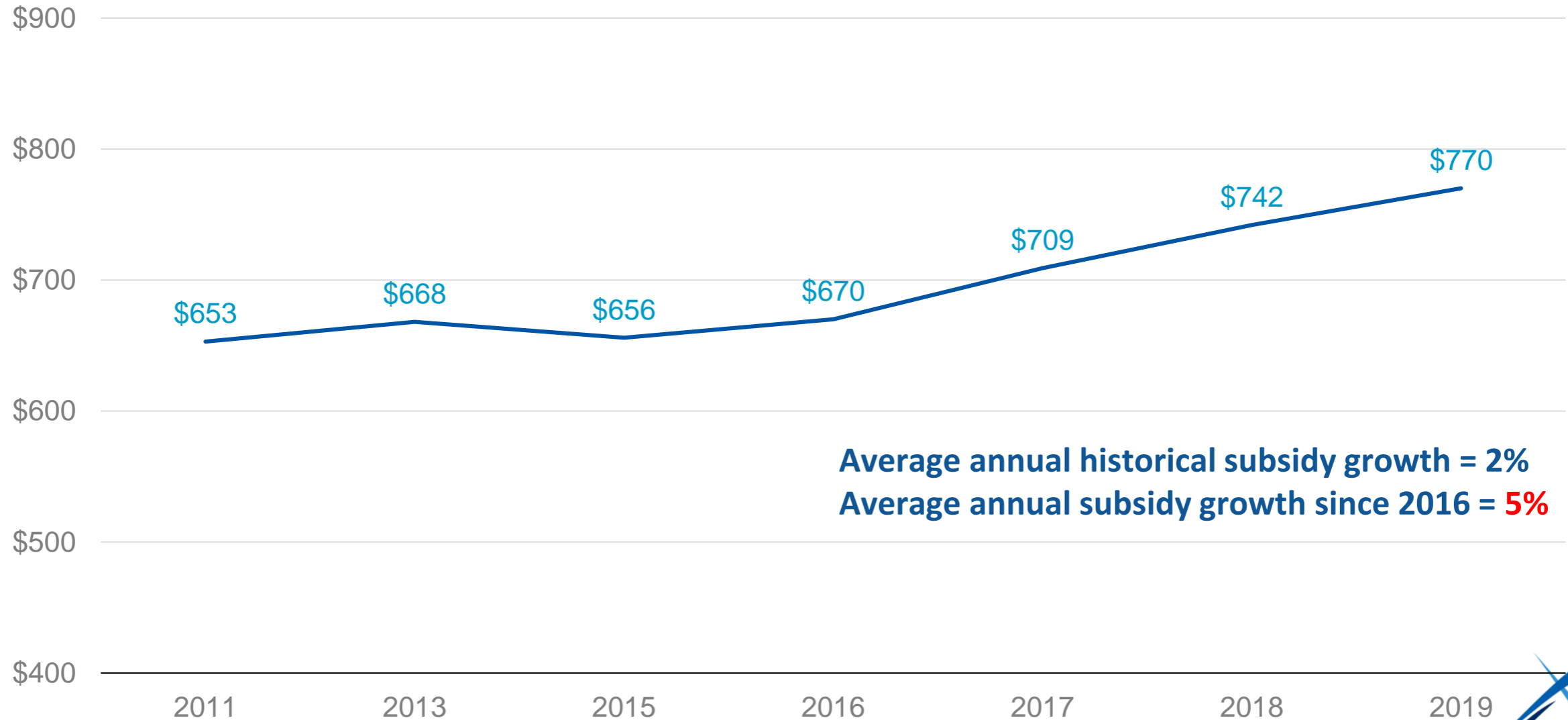
- by community and bedroom size

- % of families paying more than 30% of income towards rent

Current Challenges



Average Per-Family Subsidy Cost



Budget Scenarios

Budget = \$61 Million

- Higher subsidy per family = fewer families served
- A \$25 increase in average subsidy = service to 200 less families

Average Per Family Subsidy	Families Served
\$750	6,700
\$775	6,500
\$800	6,300

Tenant Rent Portions

- Tenants pay between 30% and 40% of income towards rent
- Unit rent within the payment standard
 - Tenant pays 30%
- Unit rent above the payment standard
 - Tenant pays up to 40%

Payment Standard Example

2 Bedroom Apartment

Rent \$1175

Utility allowance + \$ 57 (electric only)

Gross Rent = \$1232

2-bedroom payment Standard = \$1250

Tenant Impact

- The rent falls within the payment standard
- Tenant will pay 30% of their income towards rent and utilities.

Payment Standard Example

2 Bedroom Apartment

Rent \$1200

Utility allowance + \$ 57 (electric only)

Gross Rent = \$1257

2-bedroom payment Standard = \$1250

Tenant Impact

- The gross is over the payment standard by \$7
- Tenant will pay 30% of their income plus the difference (\$7)

Payment Standard Considerations

HUD Rule

- Federal government directs us to serve as many families as possible within budget authority
 - Council can issue to up 6,727 vouchers
 - \$61M projected 2020 federal revenue




Higher Rent Limits

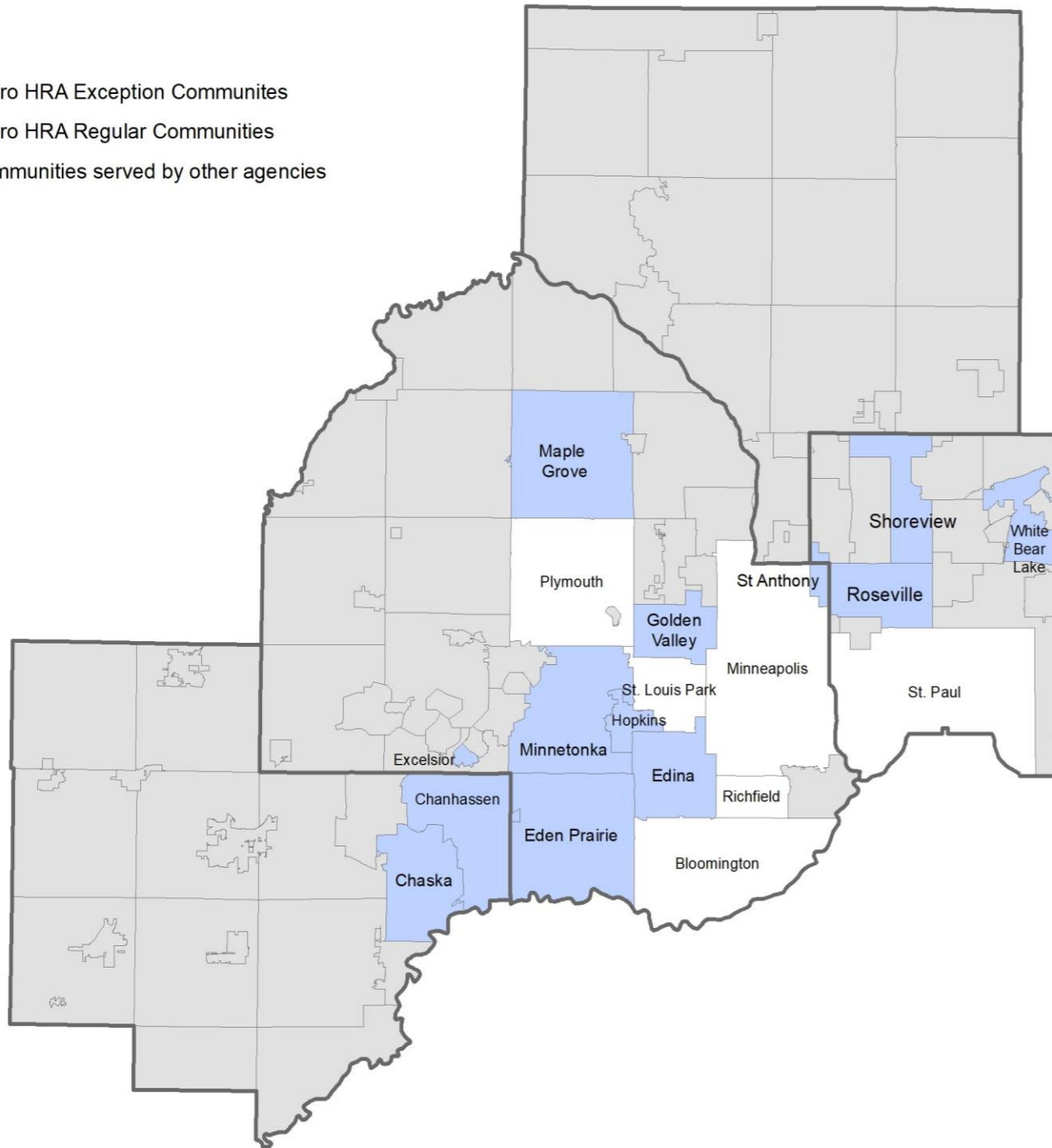
- Higher average subsidy
- Fewer vouchers issued
- Higher success rates
- Build future year funding

Lower Rent Limits

- Lower average subsidy
- More vouchers issued
- Lower success rates
- Risk future year funding

Currently Two Sets of Payment Standards

-  Metro HRA Exception Communities
-  Metro HRA Regular Communities
-  Communities served by other agencies



Regular standards (grey)

- cover most of Metro HRA's service communities

Exception standards (blue)

- cover 13 high rent communities

Payment Standard Options for Consideration



Status Quo

- No increase from current rent standards



Status Quo Plus

- Increase by 3%-7%



Small Area Fair Market Rents

- Rent standards by zip code

Option 1: Status Quo

Keep current rent standards with no Increase

Pros

- Budget Neutral
- Allows for service to highest number of families

Cons

- Increases family rent burden
- Difficult for families to use voucher - Lower success rates
- Limited choice for families

Option 2: Status Quo Plus

Increase rent standards by the same amounts of the FMR increases

Pros

- Increases voucher placement success
- Reduces family rent burden
- Increases access to rental units

Cons

- Costs more per
 - Reduces number of families served by 190
- Still difficult for families to use voucher in high rent areas

Option 3: Adopt Small Area Fair Market Rents

Rent limits calculated at the zip code level

Pros

- Market driven approach based on average rents by zip code
- Improves housing choice in all neighborhoods
- Increases voucher placement success
- “Future Years” - budget neutral

Cons

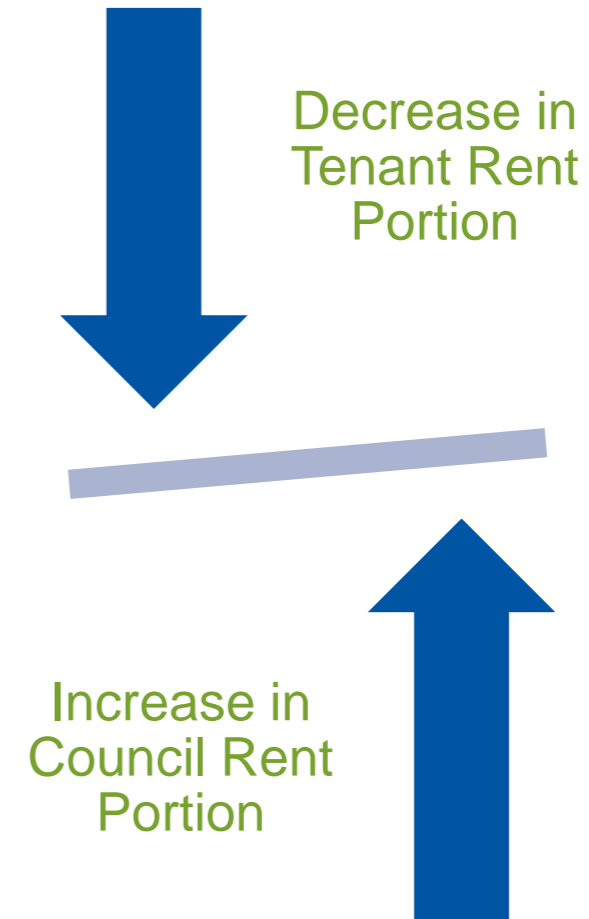
- Reduces program size initially by 210 families
- Some areas experience a reduction in rent limits
- Administratively burdensome
 - 120 zip codes
 - Develop online app for voucher holders

What are Small Area Fair Market Rents?

- January 2017 - Final Rule to establish a more effective fair market rent system
- Zip code-based rent limits
 - Sets at a more localized level vs. entire metropolitan area
- Intended to provide families with choice of units in low poverty areas
 - While balancing market driven rent limits in lower rent areas

Tenant Impact – Small Area FMRs

\$\$ Impact	% of Tenants Impacted
No Change	42%
\$1-\$49 Decrease	6%
\$50-\$99 Decrease	4%
\$100-\$149 Decrease	10%
\$150+ Decrease	12%
\$1-\$49 Increase	18%
\$50-\$99 Increase	6%
\$100-\$149 Increase	<1%
\$150+ Increase	1%



Tenant Impact – Hold Tenants Harmless FMRs

\$\$ Impact	% of Tenants Impacted
No Change	68%
\$1-\$49 Decrease	6%
\$50-\$99 Decrease	4%
\$100-\$149 Decrease	10%
\$150+ Decrease	12%
\$1-\$49 Increase	0%
\$50-\$99 Increase	0%
\$100-\$149 Increase	0%
\$150+ Increase	0%

Options:

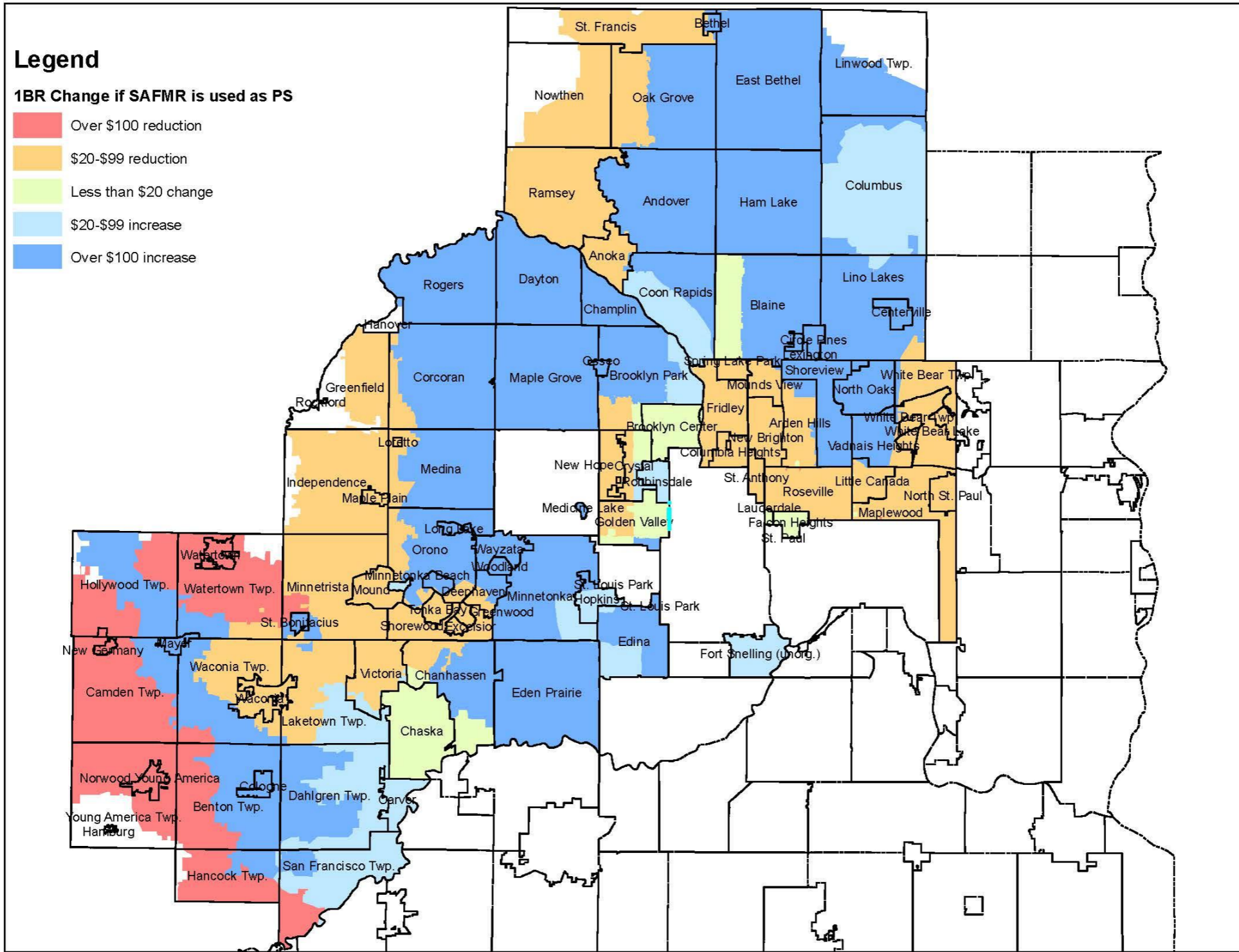
- Hold current tenants harmless from rent increase
 - \$2 Million Council budget impact
 - Reduction in service to 210 families
 - Future budget neutral
- Implement for all tenants within 2 years
 - Future budget neutral



Legend

1BR Change if SAFMR is used as PS

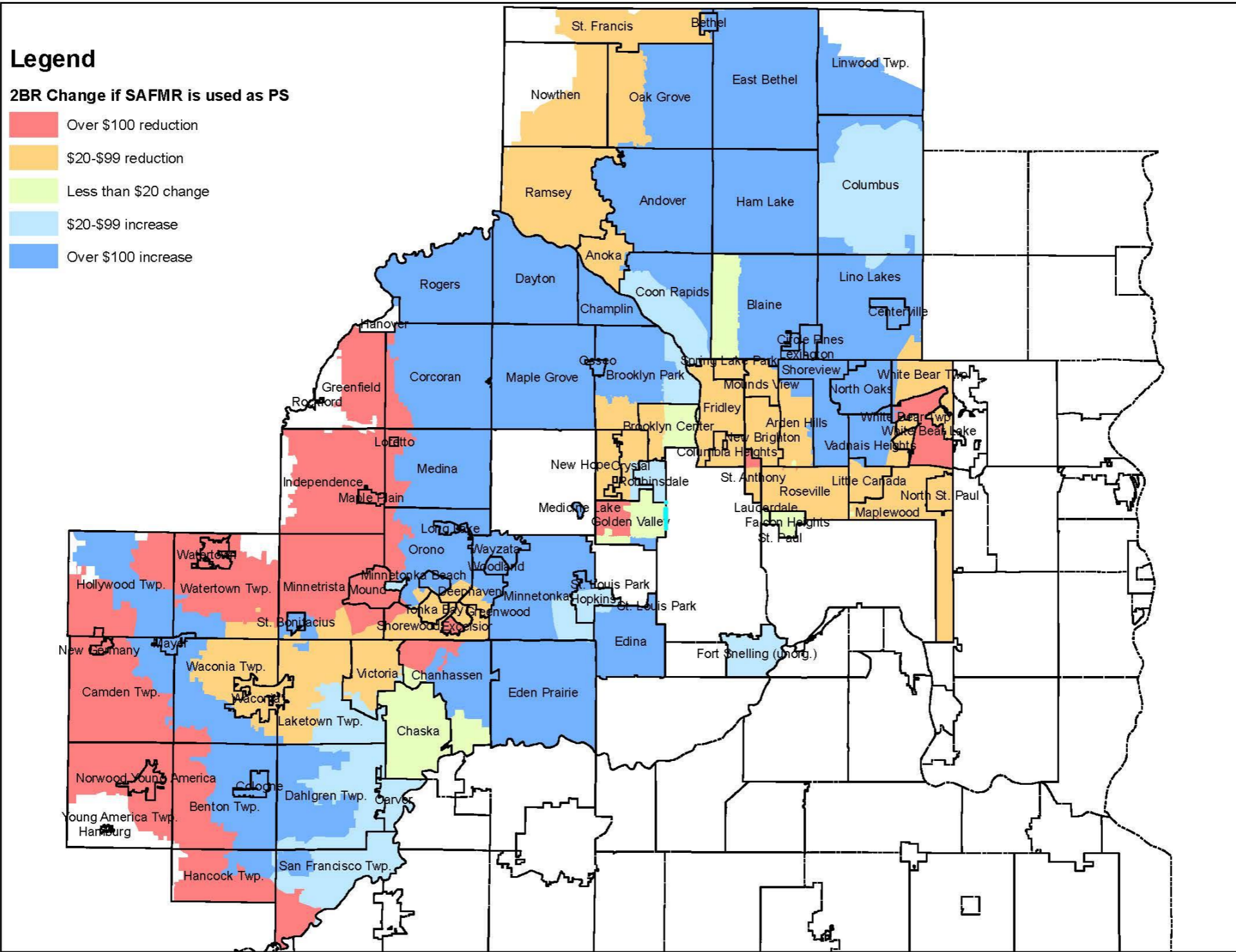
- Over \$100 reduction
- \$20-\$99 reduction
- Less than \$20 change
- \$20-\$99 increase
- Over \$100 increase



Legend

2BR Change if SAFMR is used as PS

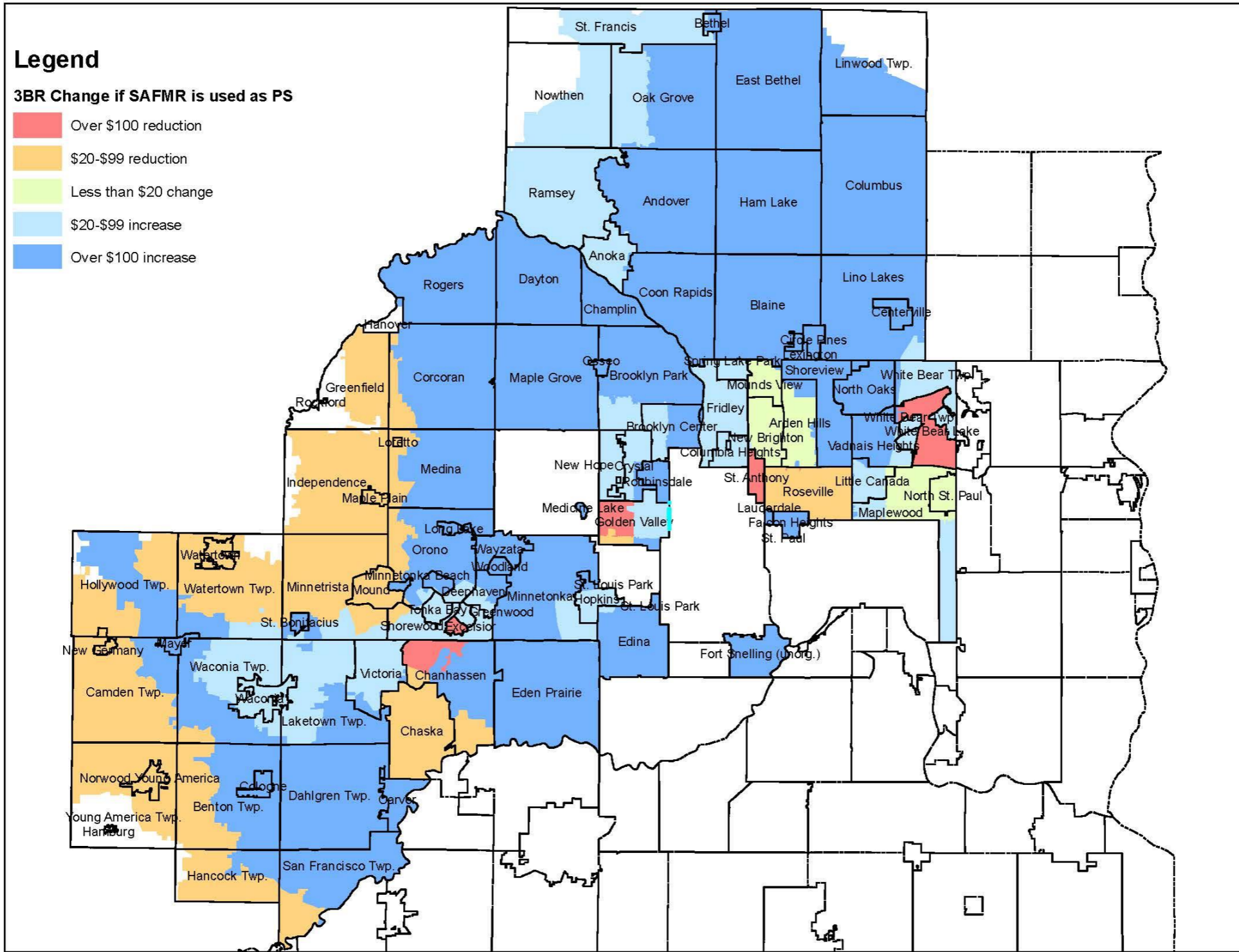
- Over \$100 reduction
- \$20-\$99 reduction
- Less than \$20 change
- \$20-\$99 increase
- Over \$100 increase



Legend

3BR Change if SAFMR is used as PS

- Over \$100 reduction
- \$20-\$99 reduction
- Less than \$20 change
- \$20-\$99 increase
- Over \$100 increase



DISCUSSION



Status Quo

- No increase from current rent standards



Status Quo Plus

- Increase by 3%-7%



Small Area Fair Market Rents

- Rent standards by zip code

Next Steps

December 2019

- CDC and Council Action on Payment Standards
- Request HUD Approval (if SAFMRs)

January 2020

- CDC and Council Action to formally amend policy document (if SAFMR)

February 2020

- Tenant engagement on rent limits

April 2020

- Implementation

Metropolitan Council
Housing and Redevelopment Authority

Payment Standards Discussion

November 18, 2019

Community Development Committee

