

Payment Standards Discussion

Metropolitan Council Housing and
Redevelopment Authority

Community Development Committee
10/18/2021

metro council.org

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Payment Standards

- Payment Standards = Rent Limits
- Limited by Fair Market Rents (FMR)
Set between 90% and 110% of FMR
 - High enough to allow choice in all neighborhoods
 - Low enough to serve as many families as possible
- Small Area Fair Market Rents implemented July 2020



2021 HOUSING CHOICE VOUCHER ADMINISTRATIVE PLAN

Metropolitan Council Housing and Redevelopment Authority

Approved by Metropolitan Council: September 22, 2021
September 23, 2020
February 12, 2020
September 25, 2019
November 28, 2018

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.

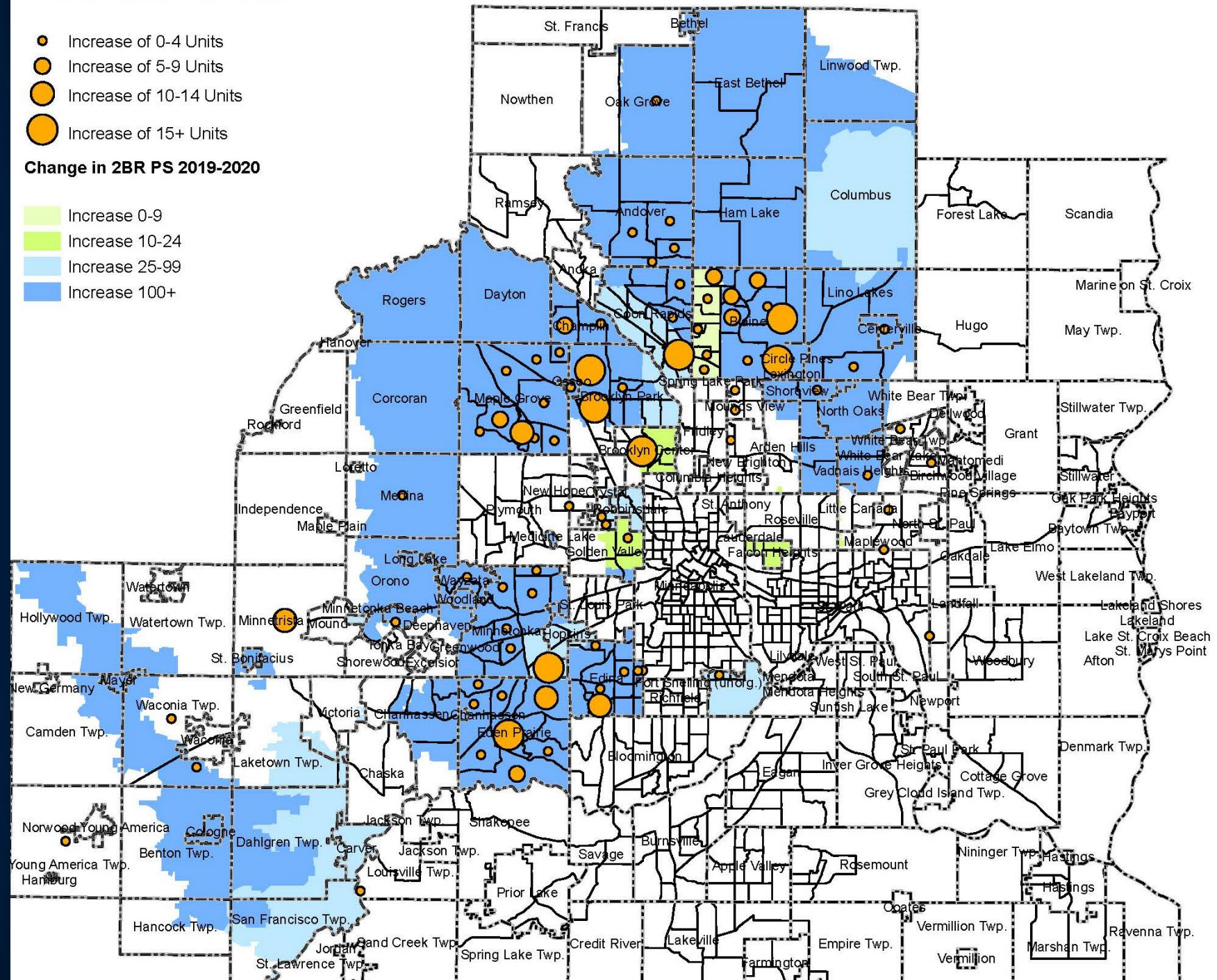
2020 Increased Payment Standard Areas

Increase in Units in Census Tract

- Increase of 0-4 Units
- Increase of 5-9 Units
- Increase of 10-14 Units
- Increase of 15+ Units

Change in 2BR PS 2019-2020

- Increase 0-9
- Increase 10-24
- Increase 25-99
- Increase 100+



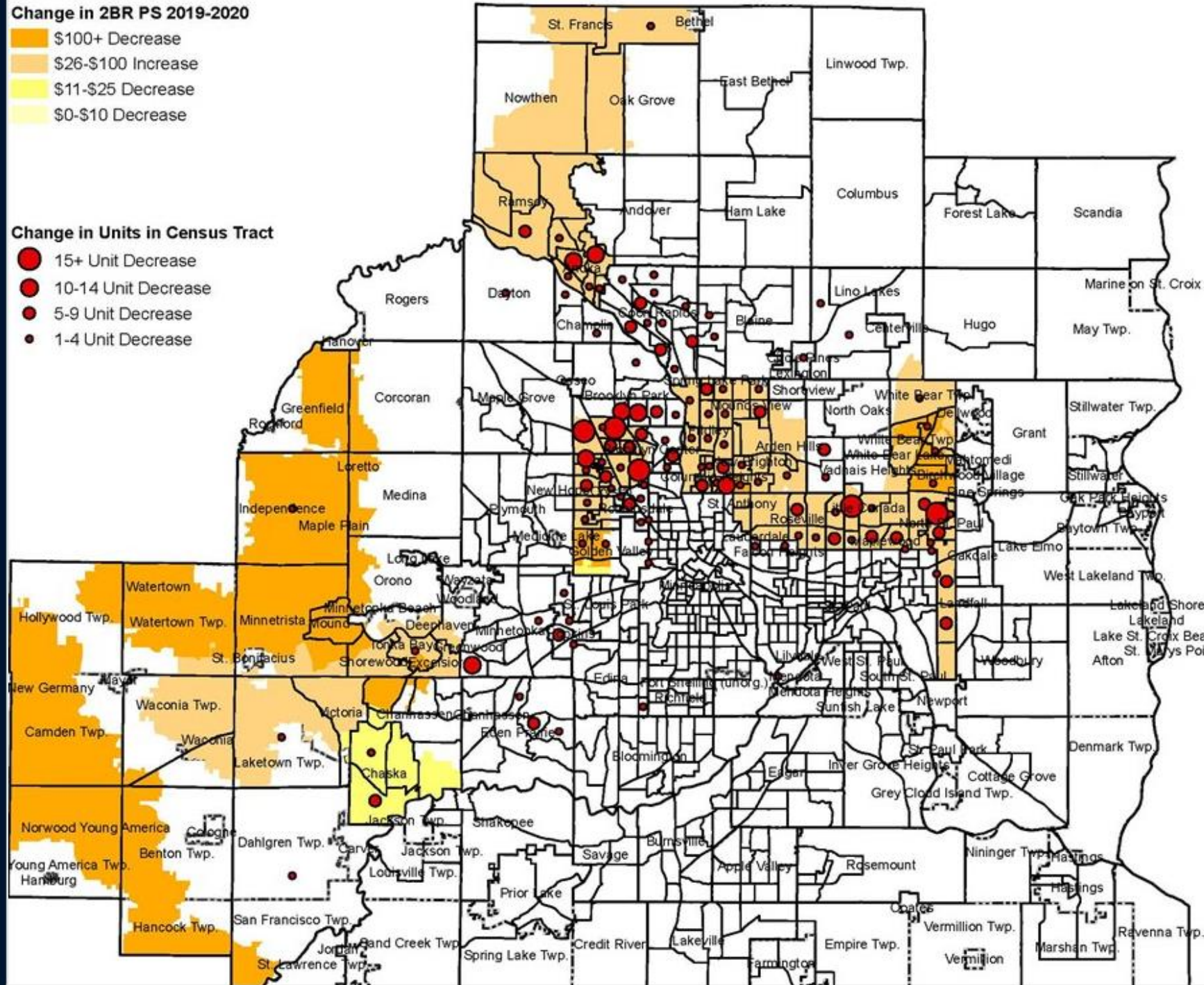
2020 Decreased Payment Standard Areas

Change in ZBR PS 2019-2020

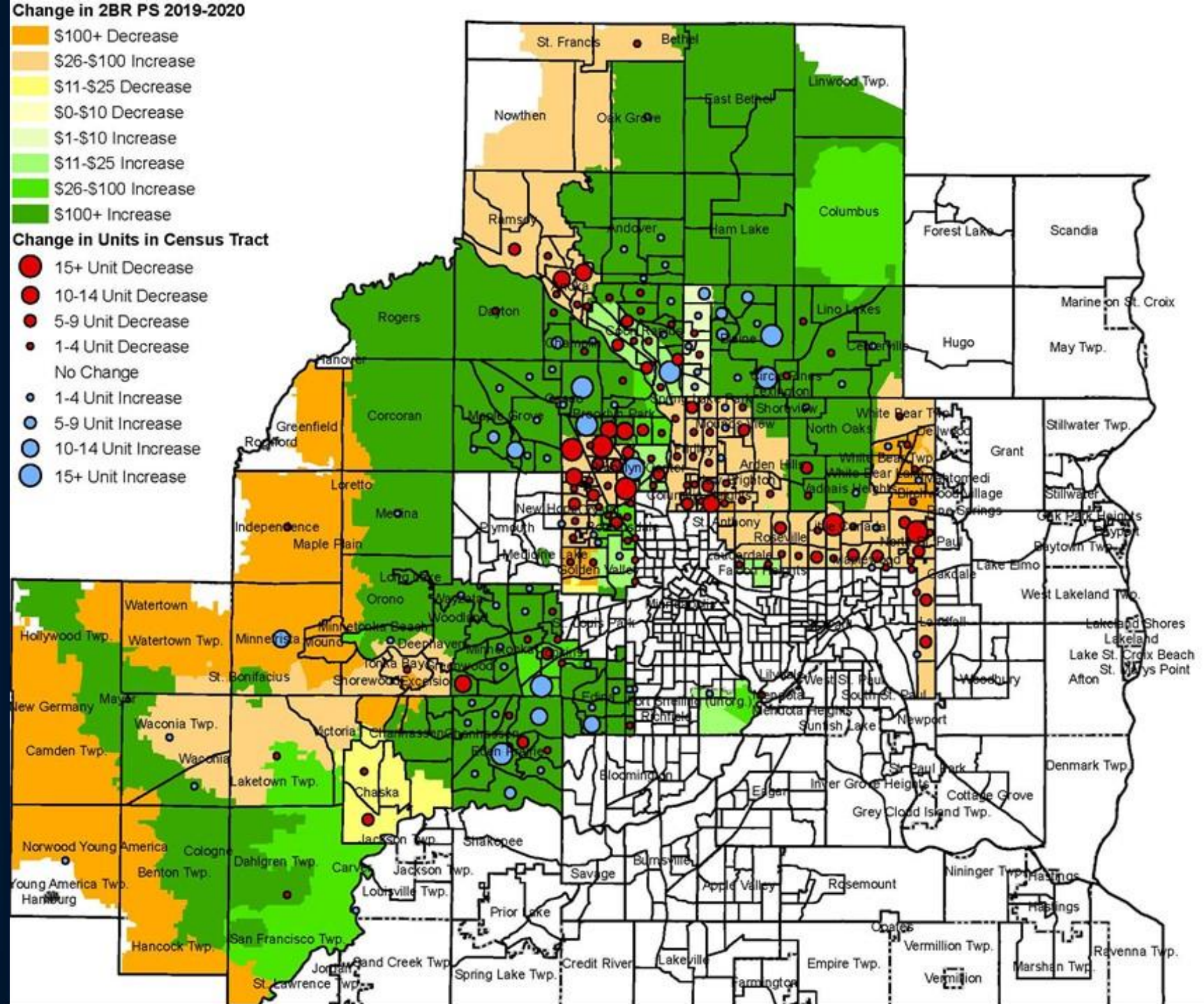
- \$100+ Decrease
- \$26-\$100 Increase
- \$11-\$25 Decrease
- \$0-\$10 Decrease

Change in Units in Census Tract

- 15+ Unit Decrease
- 10-14 Unit Decrease
- 5-9 Unit Decrease
- 1-4 Unit Decrease



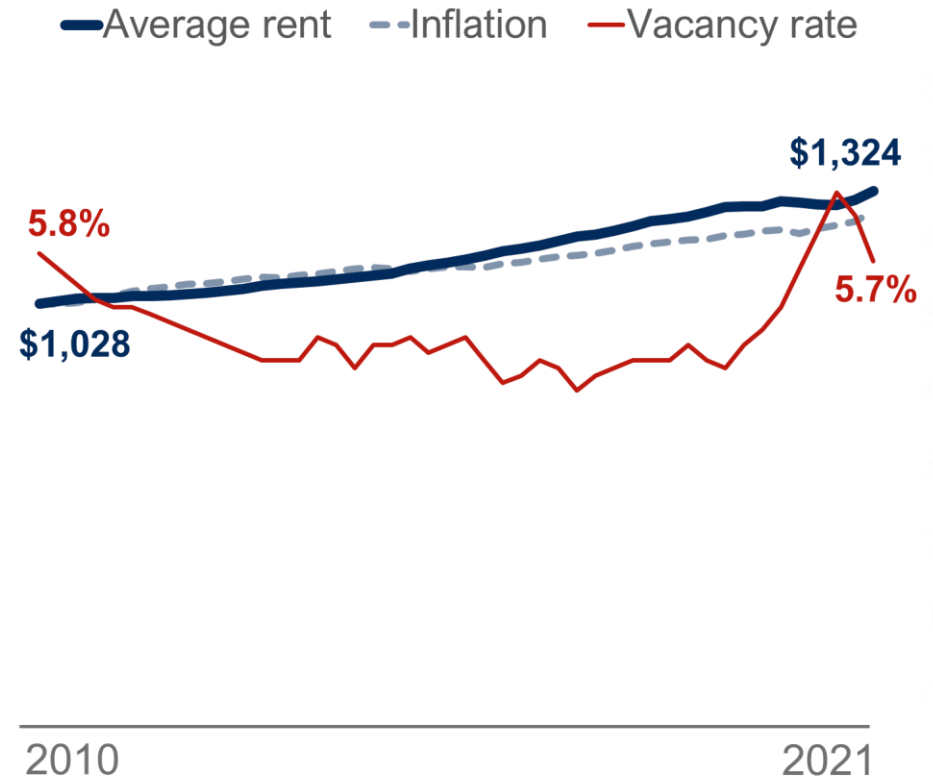
2020 Payment Standards Combined Map



Vacancy rate and rent prices

- Rent prices have grown faster than inflation
- This occurs when vacancy rates are low
- Rent was flat in 2020, increasing again now

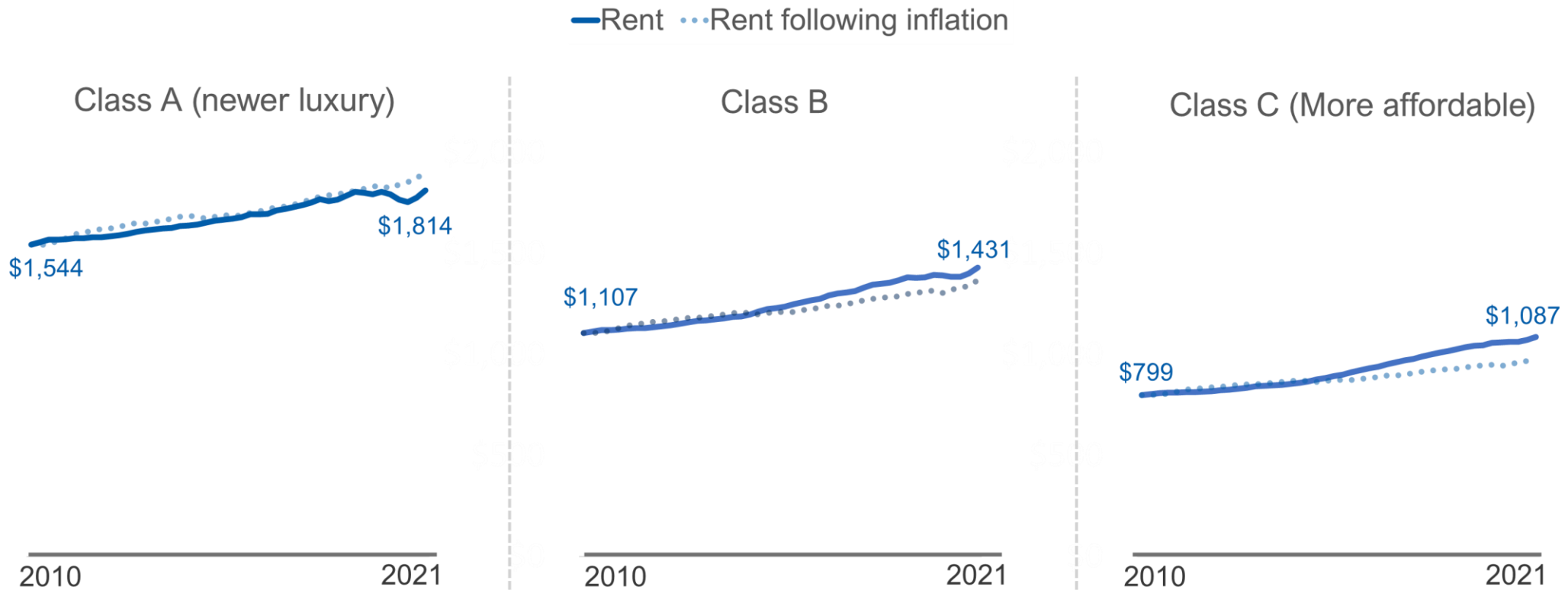
Rent prices have grown faster than inflation since 2010, but prices were flat in 2020



Source: CoStar average asking rent and vacancy rate

And here's the main problem

Class B and particularly Class C rent prices have grown faster than inflation, but not luxury

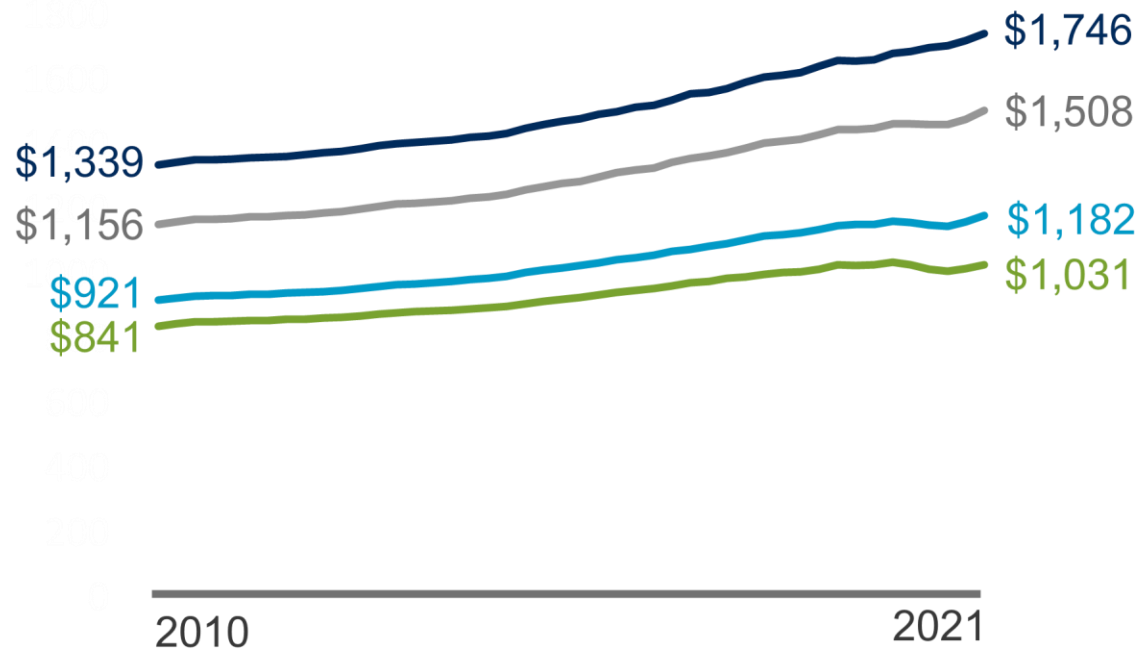


Source: CoStar average asking rent price

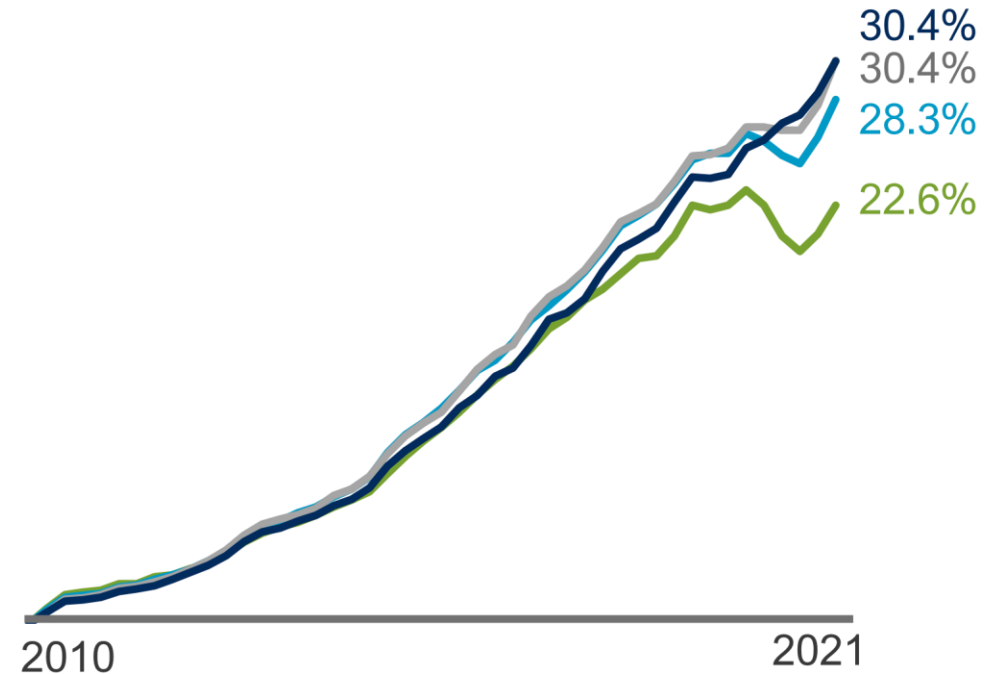
Studio prices grew slower

—Studio —1 bedroom —2 bedroom —3 bedroom

Asking rent



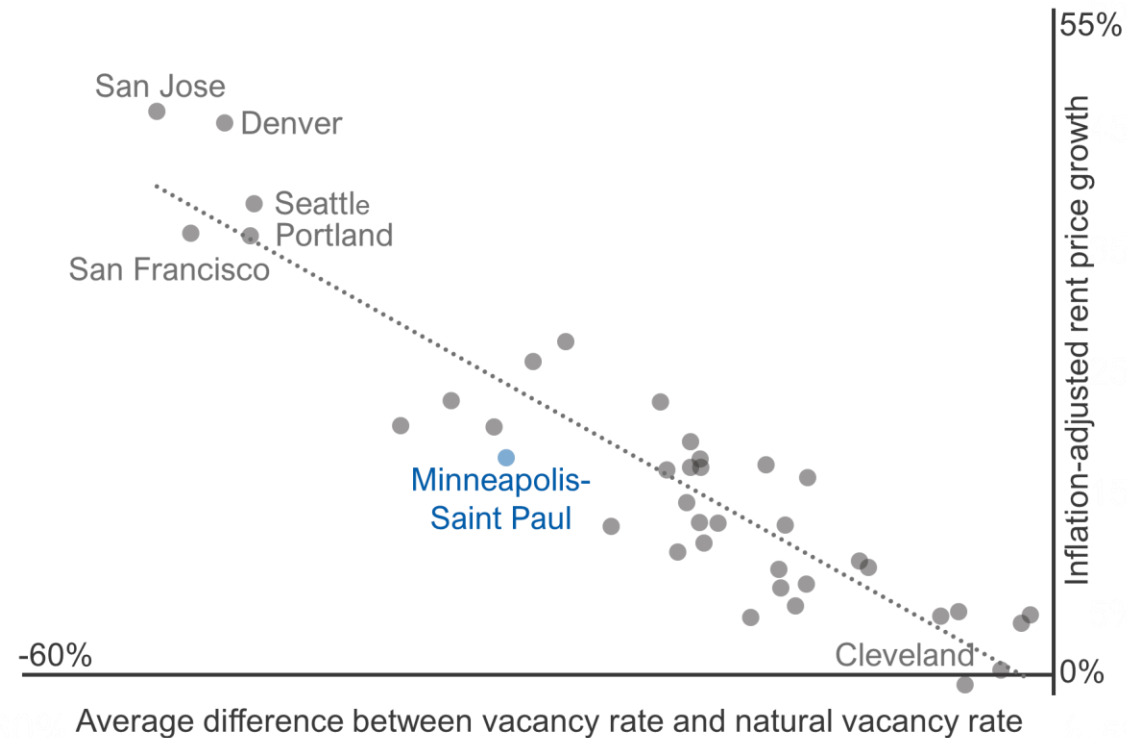
Percent change since 2010



Source: CoStar average asking rent price

Rent price growth in context

Minneapolis/Saint Paul rent prices have grown faster than most typical metros. Vacancy rates have consistently been below “healthy” or “natural” levels.



Source: Census American Community Survey and Housing Vacancy Survey (2010-2019). CPI-adjusted. Excludes Los Angeles due to data gap.

Payment Standard Considerations

HUD Rule

- Federal government directs us to serve as many families as possible within budget authority
 - Council can issue to up 6,894 vouchers
 - \$70M projected federal revenue

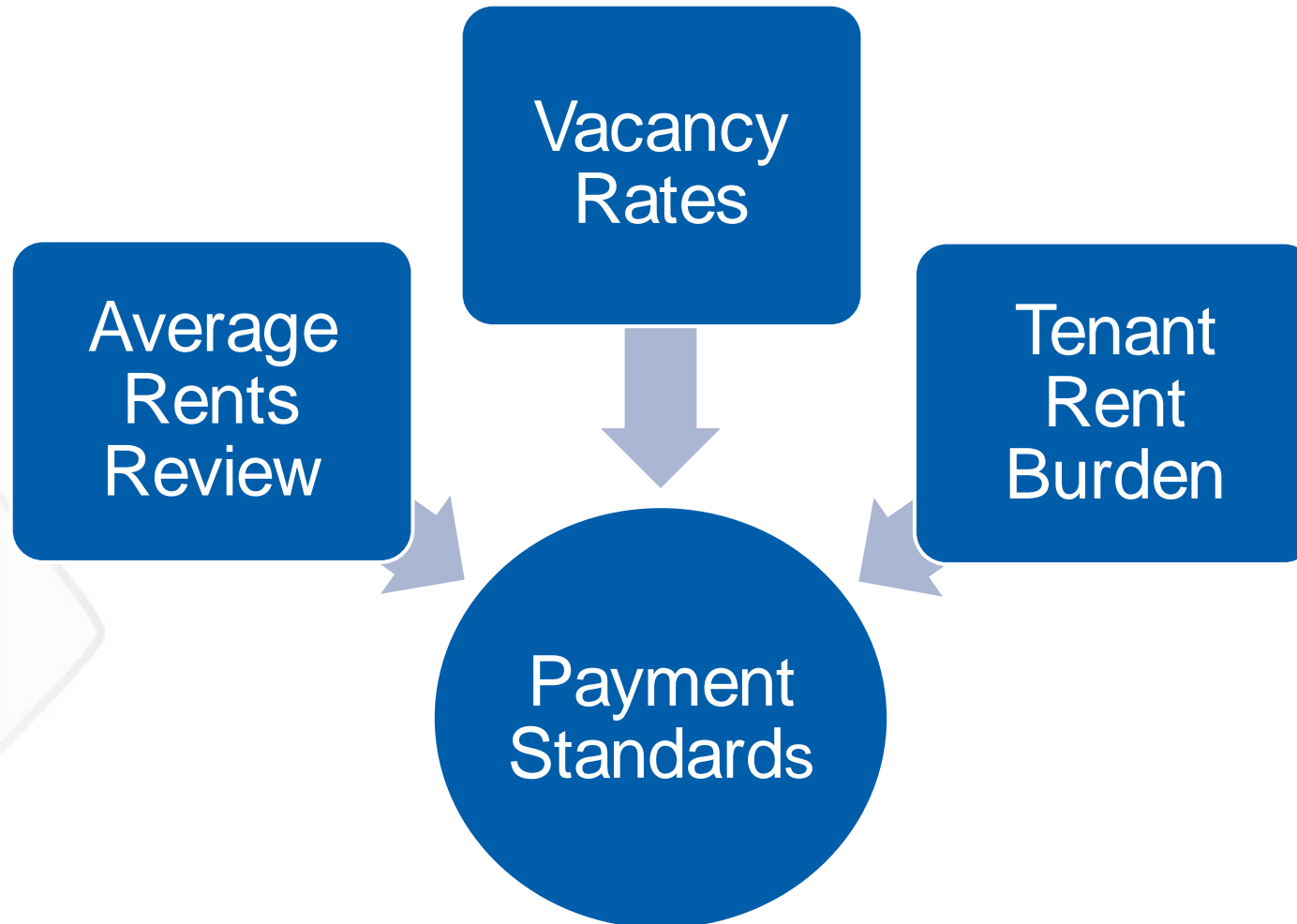
Higher Rent Limits

- Higher average subsidy
- Fewer vouchers issued
- Higher success rates

Lower Rent Limits

- Lower average subsidy
- More vouchers issued
- Lower success rates

Payment Standards Review



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 30% of income plus the difference
 - Tenant cannot pay more than 40% of income at initial move-in

Payment Standard Example

2 Bedroom in Maplewood (zip code 55109)
Rent = \$1150

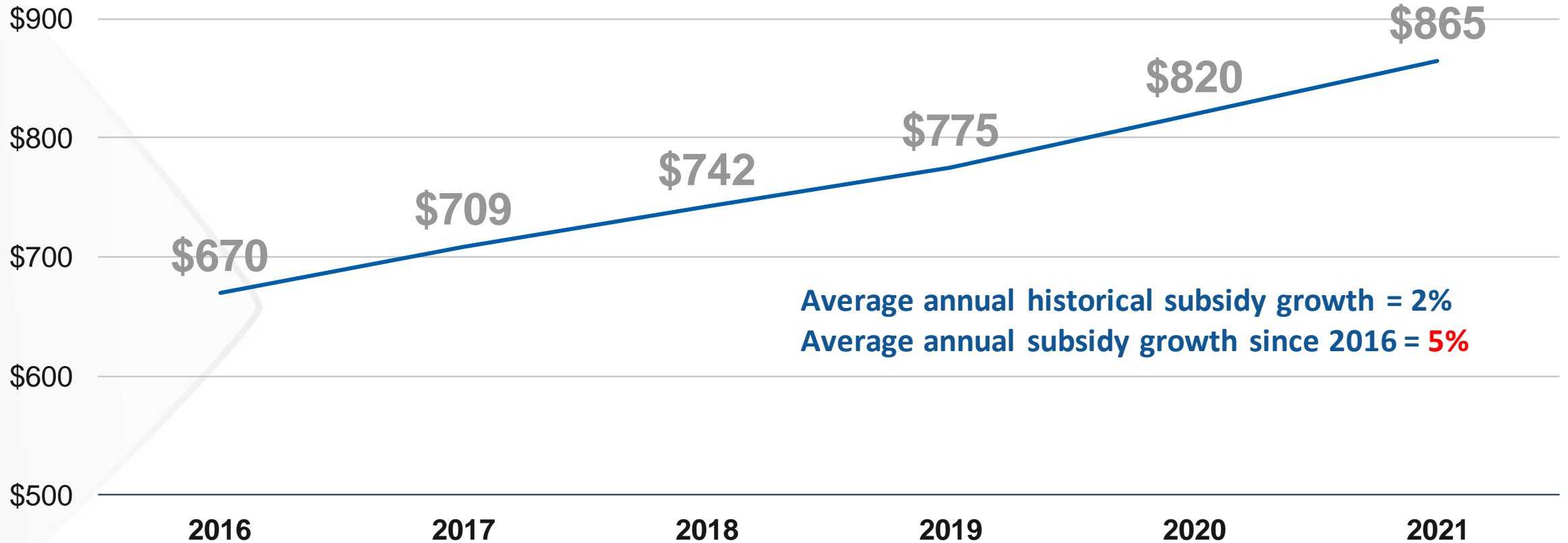
Payment
Standard
\$1110

- Rent is \$40 over the payment standard
- Tenant pays 30% of income plus \$40

Payment
Standard
\$1175

- Rent is within the payment standard
- Tenant pays 30% of income

Average Per-Family Subsidy Cost



Budget vs. Average Subsidy Cost

- The Metro HRA has 6,894 Vouchers
- Subsidy Budget = \$70 million
- Higher per-family subsidy = fewer families served
- \$25 increase in average subsidy = service to 200 fewer families

Average Per-Family Subsidy	# Families Served	% of Vouchers Used
\$800	7,290	100%
\$850	6,860	Near 100%
\$900	6,480	93%

Payment Standard Options for Consideration

Option 1

- Minimal changes to bring payment standards into required range

Option 2

- Changes based on market and average rents

Option 3

- Adjust all to 100% of new SAFMRs

Option 1

Minimal changes to bring payment standards into required range (90% - 110% SAFMRs)

Increases vs. Decreases

- Increases in 80 zip codes
 - Most 0 to 2-bedrooms
- Decreases in 3 zip codes
 - 9 families

Tenant Impact

- Current Rent burden = 48%
- Future Rent burden = 48%
- Not within goal range

Implementation Cost

- \$1 million
- Reduction in service up to 100 families
 - If enough federal funding = no service reduction

Option 2

Changes based on market and average rents – new payment standards between 95%-99% SAFMR

Increases vs. Decreases

- Increases in 100 zip codes
- Decreases in 24 zip codes
 - 34 families

Tenant Impact

- Current Rent burden = 48%
- Future Rent burden = 36%
- Within goal range

Implementation Cost

- \$2.2 million
- Reduction in service up to 190 families
 - If enough federal funding = no service reduction

Option 3

Adjust all zip codes and bedroom sizes to 100% of new SAFMRs

Increases vs. Decreases

- Increases in 115 zip codes
- Decreases in 9 zip codes
 - Rural Areas
 - 15 families

Tenant Impact

- Current Rent burden = 48%
- Future Rent burden = 24%
- Within goal range

Implementation Cost

- \$3.4 million
- Reduction in service up to 410 families
 - Dependent upon federal funding

Discussion / Considerations

- We did not make any substantive changes in 2020
- Increased payment standards provide increased choice
- Budget impact vs. number of families served

Higher Rent Limits

- Higher average subsidy
- Fewer vouchers issued
- Higher success rates

Lower Rent Limits

- Lower average subsidy
- More vouchers issued
- Lower success rates

Next Steps

- November 1: CDC action
- November 10: Council action
- February – March 2022: Implement new SAFMRs

Thank you!

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