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
Council Policy Direction

**Thrive 2040**

- 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.
HUD Rule: serve as many families as possible within budget authority

- Council can issue up to 6,997 vouchers
- $76 million 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

- Average Rents Review
- Vacancy Rates
- Tenant Rent Burden

Payment Standards
Review Findings

• Rents continue to rise faster than inflation for some rental units
• Vacancy rates remain very low for some rental units
• The adoption of SAFMRs has increased the number of rental units available to voucher holders
• Rent burden of current program participants is currently far higher than guidelines
• Some changes must be made to remain compliant with federal program rules
Payment Standards and Rent

**Tenant Rent Portions**

- Tenants pay between 30% and 40% of income towards rent
- If Unit Rent within the payment standard
  - Tenant pays 30%
- If 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 Options

<table>
<thead>
<tr>
<th>Option 1</th>
<th>Option 2</th>
<th>Option 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Make minimal changes to bring payment standards into required range</td>
<td>• Adjust all to 95% of SAMFR</td>
<td>• Adjust all to 100% of new Small Area Fair Market Rents</td>
</tr>
<tr>
<td>• Required range = 90% to 110% of Small Area Fair Market Rent</td>
<td>• Make changes based on market and average rents</td>
<td>• Re-benchmarking</td>
</tr>
<tr>
<td>• No reductions</td>
<td>• No reductions</td>
<td>• No Reductions</td>
</tr>
</tbody>
</table>
Recommendation

Option 3 - Adjust all to 100% of new Small Area Fair Market Rents

Increase vs. Decreases
- Increases in 117 zip codes
- Decrease in 0 zip codes

Tenant Impact
- Current Rent burden = 48%
- Future Rent burden = 20%
- Within goal range

Implementation Cost
- $5.1 million
- Reduction in service to 450 families
- If enough federal funding = no service reduction
Next Steps

Upcoming Dates

• November 7: CDC Action
• November 23: Council Action
• February – March 2023: Implement new Payment Standards
Thank You

Terri Smith, Director, Metro HRA

November 7, 2022