

Small Area Fair Market Rents Discussion

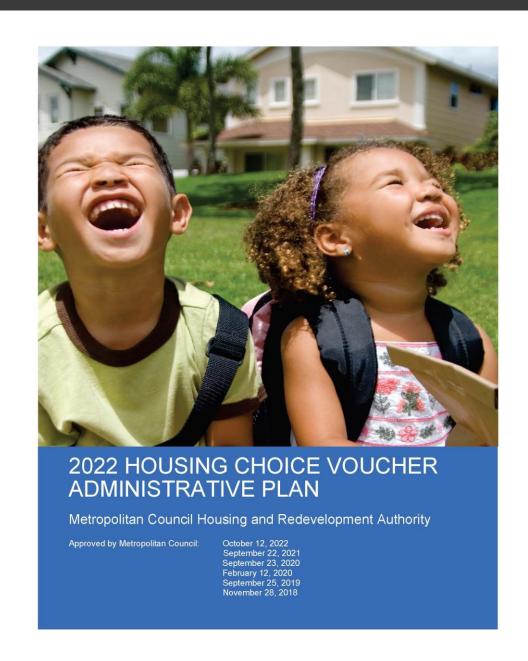
Metro HRA



Payment Standards

Payment Standards = Rent Limits

- Limited by Fair Market Rents (FMR) issued each year by U.S. Department of Housing and Urban Development
- Small Area Fair Market Rents implemented July 2020
- HUD Issued new Fair Market Rents
- 11% 18% increase in most Metro HRA Communities



Rental Market Summary



- On average, rent prices have increased faster and are higher among Metro HRA communities than the region overall
- The most affordable rental units have increased in price the fastest
- Two- and three-bedroom apartment prices have increased faster than smaller units
- Housing cost burden is nearly 80% for renters with household incomes less than \$58K (half of all renters)

What are Small Area Fair Market Rents?



HUD Published Final Rule in 2016

- Calculated at the zip code level vs.
 metropolitan area-wide Fair Market Rent
- Fair Housing Initiative
- Provide Voucher holder access to lower poverty areas
- Metro HRA adopted in 2020
- 263 Housing Authorities utilizing Small Area Fair Market Rents

Payment Standard Considerations

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

- Council can issue up to 7,283 vouchers
- \$86 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 Standard Options

Option 1

- Make minimal changes to bring payment standards into required range
- Required range = 90% to 110% of Small Area Fair Market Rent
- Increases in 146 zip codes
- 34% future rent burden
- \$2.4 million

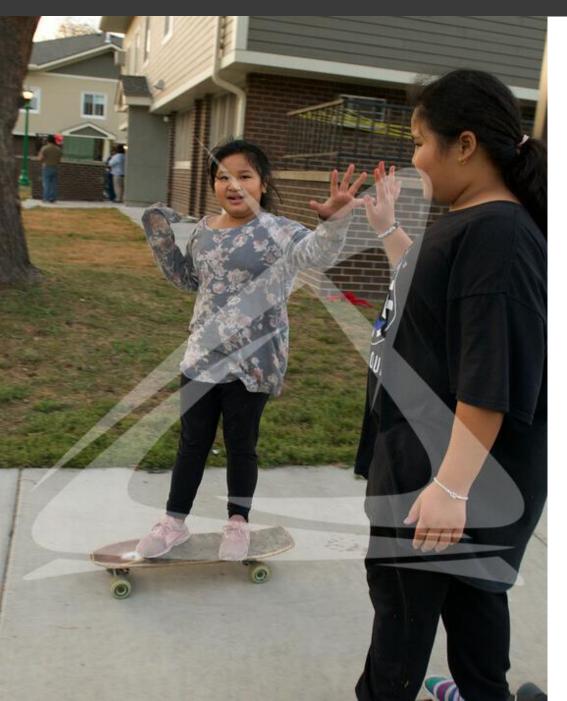
Option 2

- Adjust all to 100% of new Small Area Fair Market Rents
- Increase in 174 zip codes
- 5% future rent burden
- \$5.9 million

Option 3

- Make changes based on market and average rents
- Adjust to between 98% and 110% of Small Area Fair Market Rents
- Increase in 174 zip codes
- 5% future rent burden
- \$5.8 million

Option 3 Recommendation



Adopt Payment Standards between 98% and 110% of the SAFMR

- Allows for local market knowledge to supplement HUD issued rents
- Improves locational choice for voucher holders
- Will increase voucher placement success
- Received vocal support by Community
 Development Committee Members and Housing
 Work Group

Next Steps



Timeline to Implementation

- November 6: CDC Information Item
- November 20: CDC Action
- December 13: Council Action
- February April 2023: Implement new Payment Standards

Proposed Action

That the Metropolitan Council

That the Metropolitan Council adopt payment standards as shown in Table 1 (in the business item) for the Housing Choice Voucher and other rent assistance programs effective January 1, 2024.



Terri Smith, Director, Metro HRA

<u>Terri.smith@metc.state.mn.us</u>

