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.
Thank You

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