



# Small Area Fair Market Rents Discussion

Metro HRA



November 20, 2023



# 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**



### 2022 HOUSING CHOICE VOUCHER ADMINISTRATIVE PLAN

Metropolitan Council Housing and Redevelopment Authority

Approved by Metropolitan Council:

October 12, 2022  
September 22, 2021  
September 23, 2020  
February 12, 2020  
September 25, 2019  
November 28, 2018

# 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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