



# Metro HRA Payment Standards Discussion

Community Development Committee



October 21, 2024

# Introductions



## Panel Members

- Terri Smith, Director, Metro HRA
- Sam Limerick, Senior Data Scientist, Research
- Steve Victorey, Business Systems Analyst 4, Metro HRA

# Payment Standards



## 2024 HOUSING CHOICE VOUCHER ADMINISTRATIVE PLAN

Metropolitan Council Housing and Redevelopment Authority

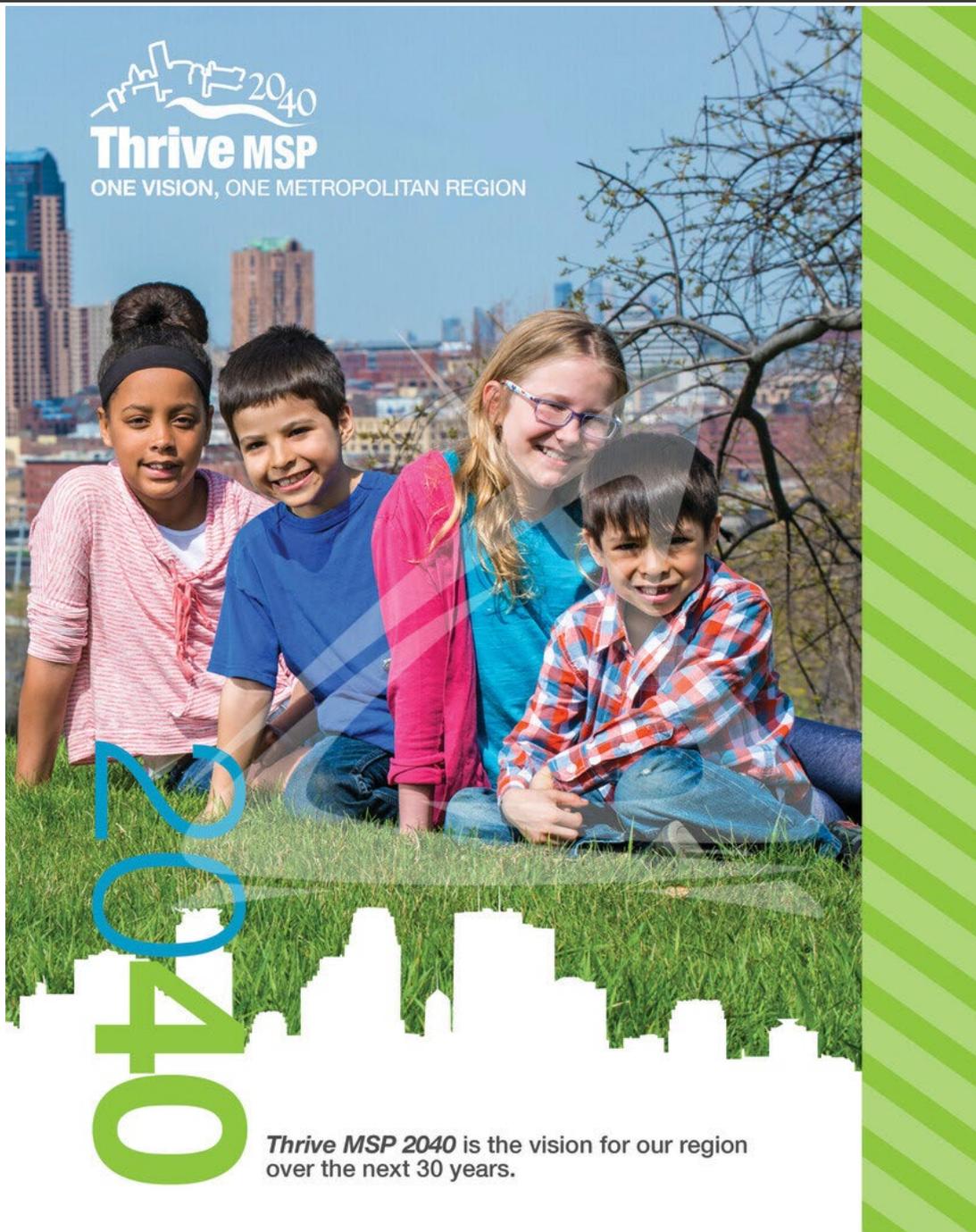
Approved by Metropolitan Council:

September 25, 2024  
October 11, 2023  
October 12, 2022  
September 22, 2021  
September 23, 2020  
February 12, 2020  
September 25, 2019

## Payment Standards = Rent Limits

- Limited by Fair Market Rents (FMR) issued each year by U.S. Department of Housing and Urban Development
- Must adopt Payment Standards between 90% and 110% of the new FMRs
- Used to calculate maximum rent for voucher holders

# Council Policy Direction



## Thrive 2040

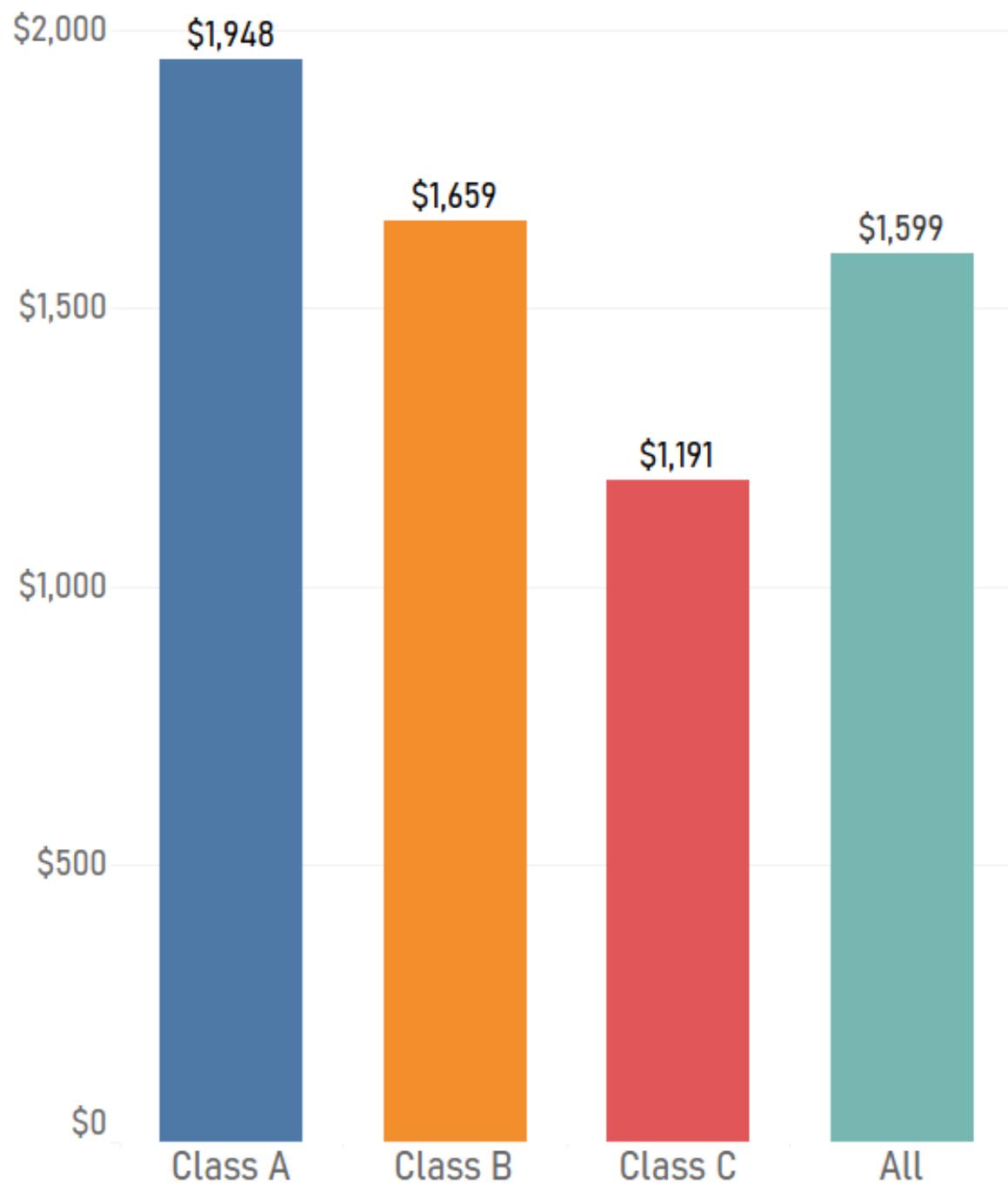
- Thrive “will” statements provide direction
  - Offer housing options that give people in all life stages viable choices for stable housing
  - Develop and provide tools, including competitive rent limits in higher-cost communities to enable voucher holders to choose a location that best meets their needs
- Council’s housing goal
  - Become a region with a broader housing spectrum where all people can thrive.

# What does the rental market data show?



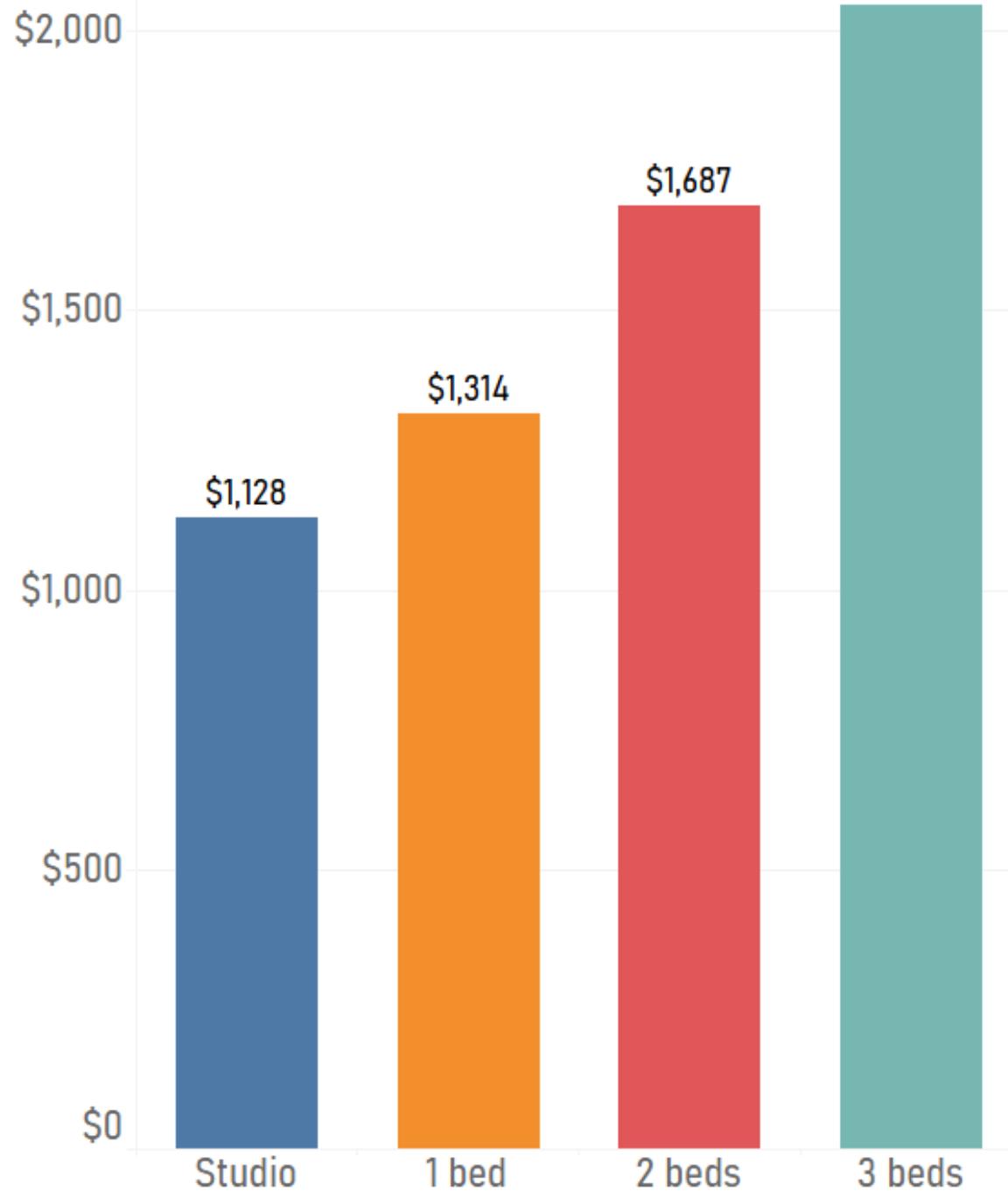
## Average Rent by Class of Apartment

*Across entire 7-county region, 2024 Q2*



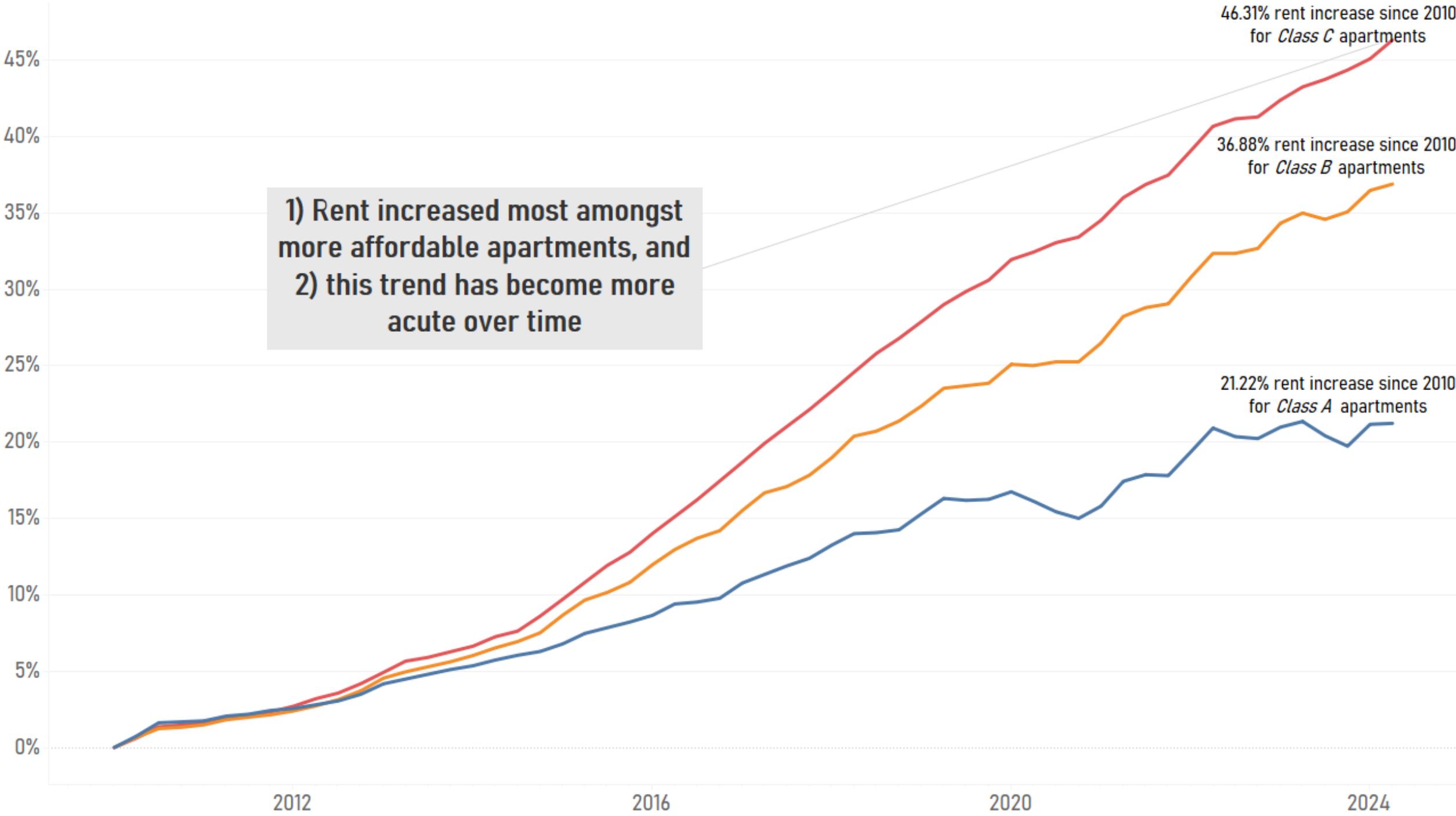
## Average Rent by Number of Bedrooms

*Across entire 7-county region, 2024 Q2*



Source: CoStar multifamily asking rents

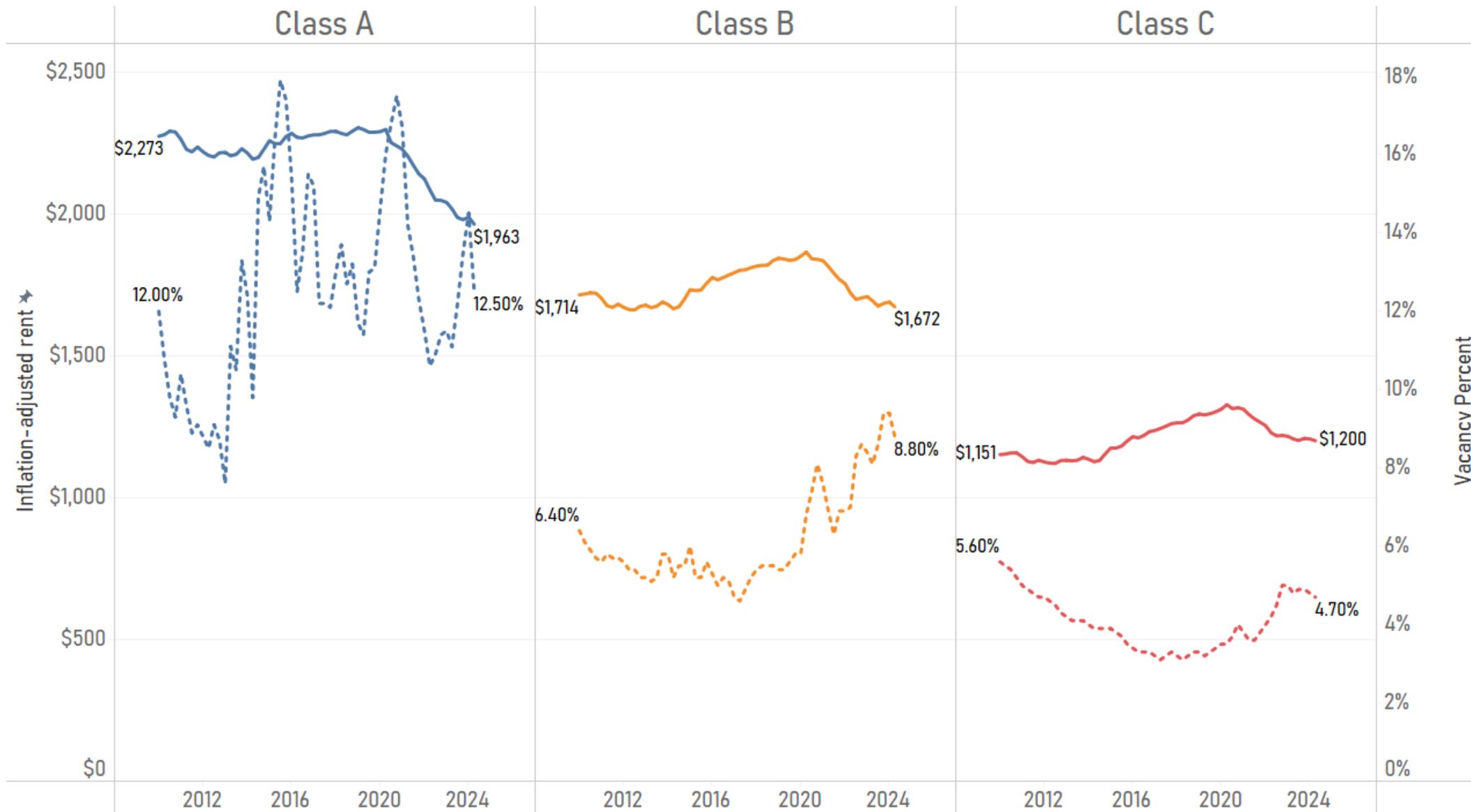
# Rent increase (%) by class since 2010



1) Rent increased most amongst more affordable apartments, and  
2) this trend has become more acute over time

Source: CoStar multifamily asking rents

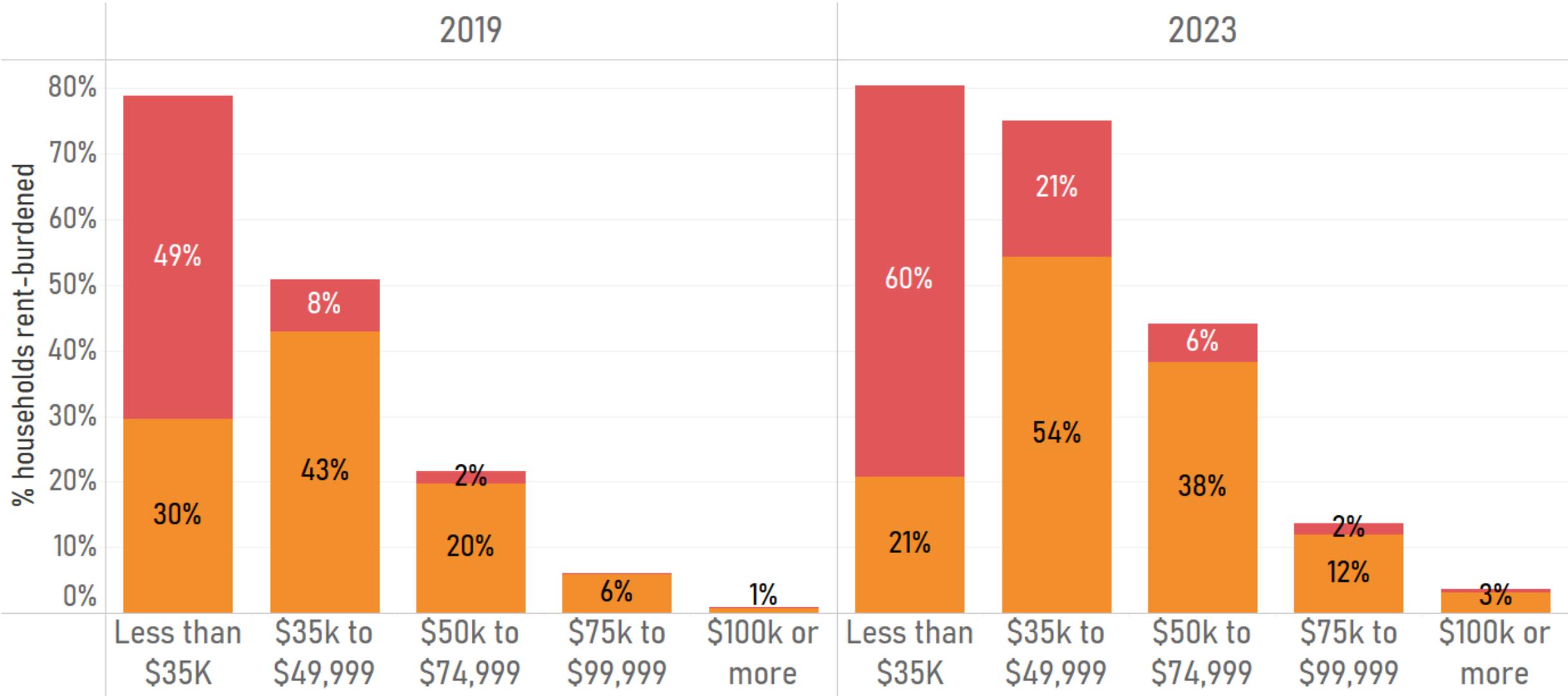
## Inflation-adjusted rent (solid line) and % vacancy by class (dashed line) since 2010



*Source: CoStar multifamily asking rent and vacancy rates;  
CPI-U for inflation adjustment*

**Takeaway:** Construction of new luxury apartment buildings yielded a variable vacancy rate in Class A apartments, and the market for most affordable (Class C) apartments has remained tight, with consistently low vacancy rates

Trends in **rent burden (>30% HH costs on rent/utilities)** and **severe rent burden (>50% HH costs on rent/utilities)** by household income group in the Minneapolis-St. Paul-Bloomington MSA



Source: 2015-2019 ACS 5-year estimates, 2023 ACS 1-year estimates

***Takeaway:*** Rent burden is most acute for lower income households in our region, though has increased for renters of all incomes since the onset of the pandemic.

	% Change in Rent Burden, 2019 to 2023	% Change in Severe Rent Burden, 2019 to 2023
Less than \$35,000	1.45%	10.24%
\$35,000 to \$49,999	24.20%	12.82%
\$50,000 to \$74,999	22.45%	3.85%
\$75,000 to \$99,999	7.53%	1.49%
\$100,000 or more	2.65%	0.39%

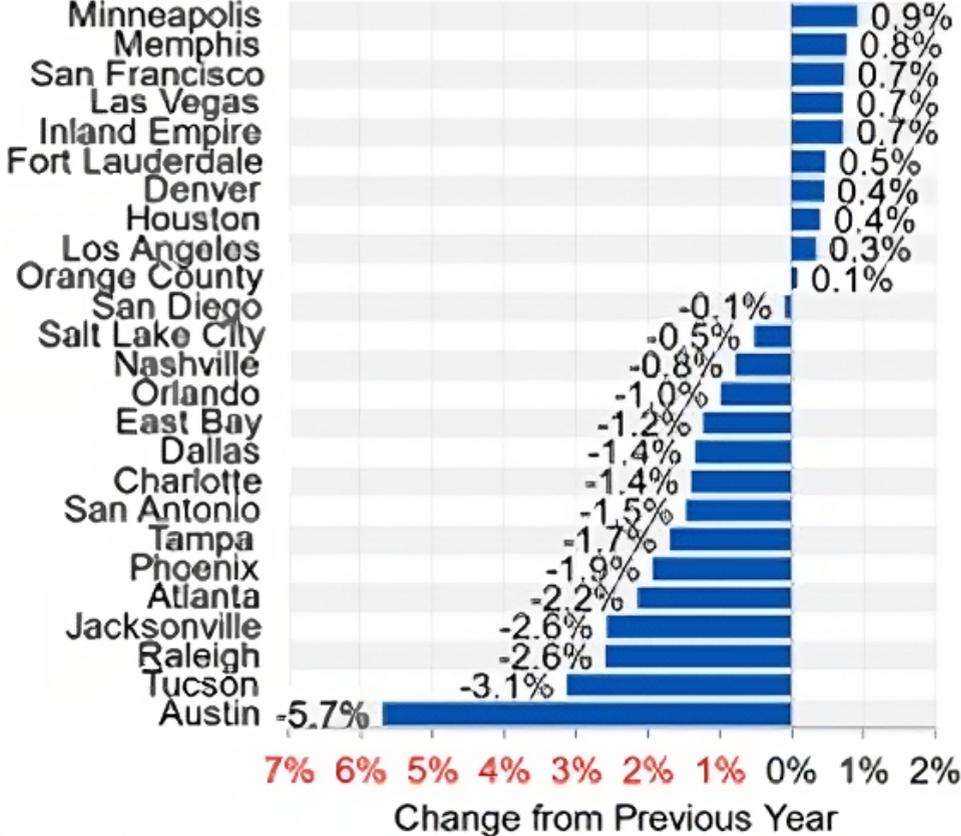
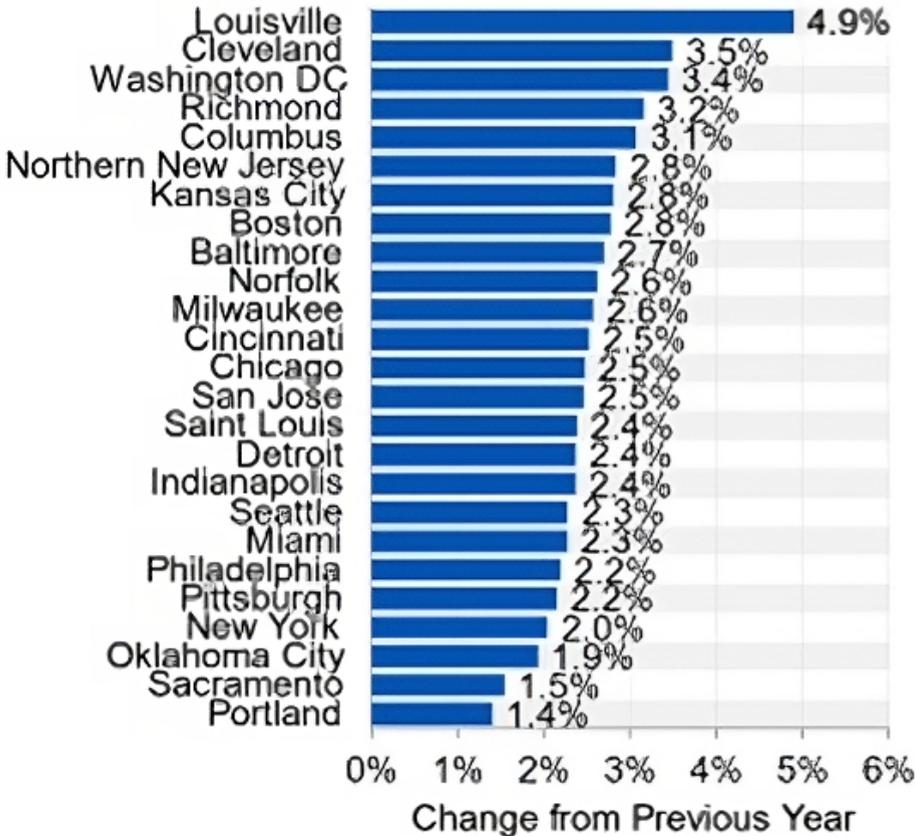
Source: 2015-2019 ACS 5-year estimates, 2023 ACS 1-year estimates

***Takeaway:*** The region has seen stark increases in rate of rent burden (>20%) for low-middle income households, and significant increases in rates of severe rent burden for the lowest income households.

# It could be worse?

*Twin Cities rent prices have increased less than other metros recently*

## Annual Apartment Rent Growth in Top 50 Markets

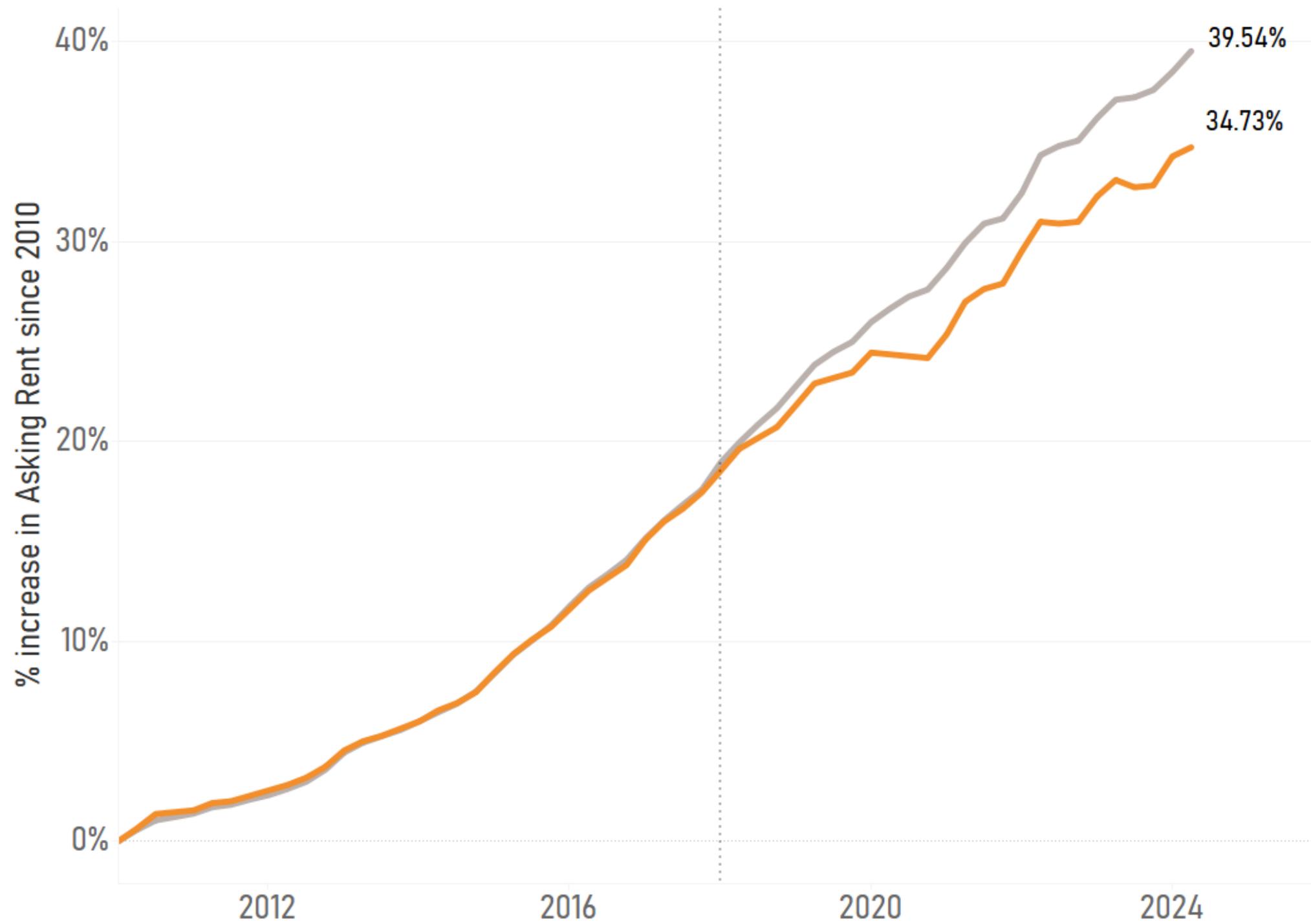


■ Market Rent

Source: CoStar Apartment Monthly Rent Report, June 2024

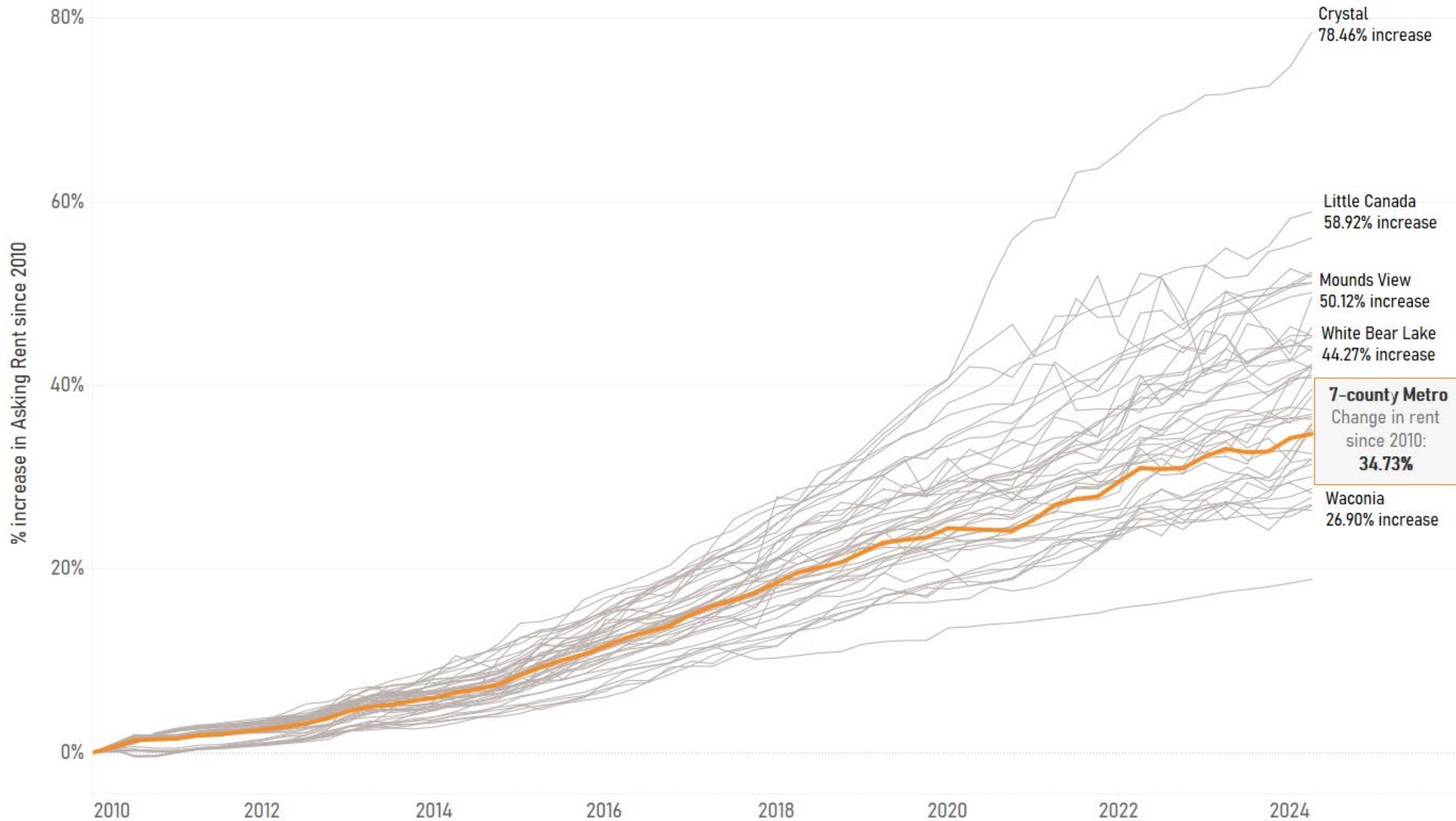


Rent increases in **HRA communities** have outpaced the wider region since 2018.

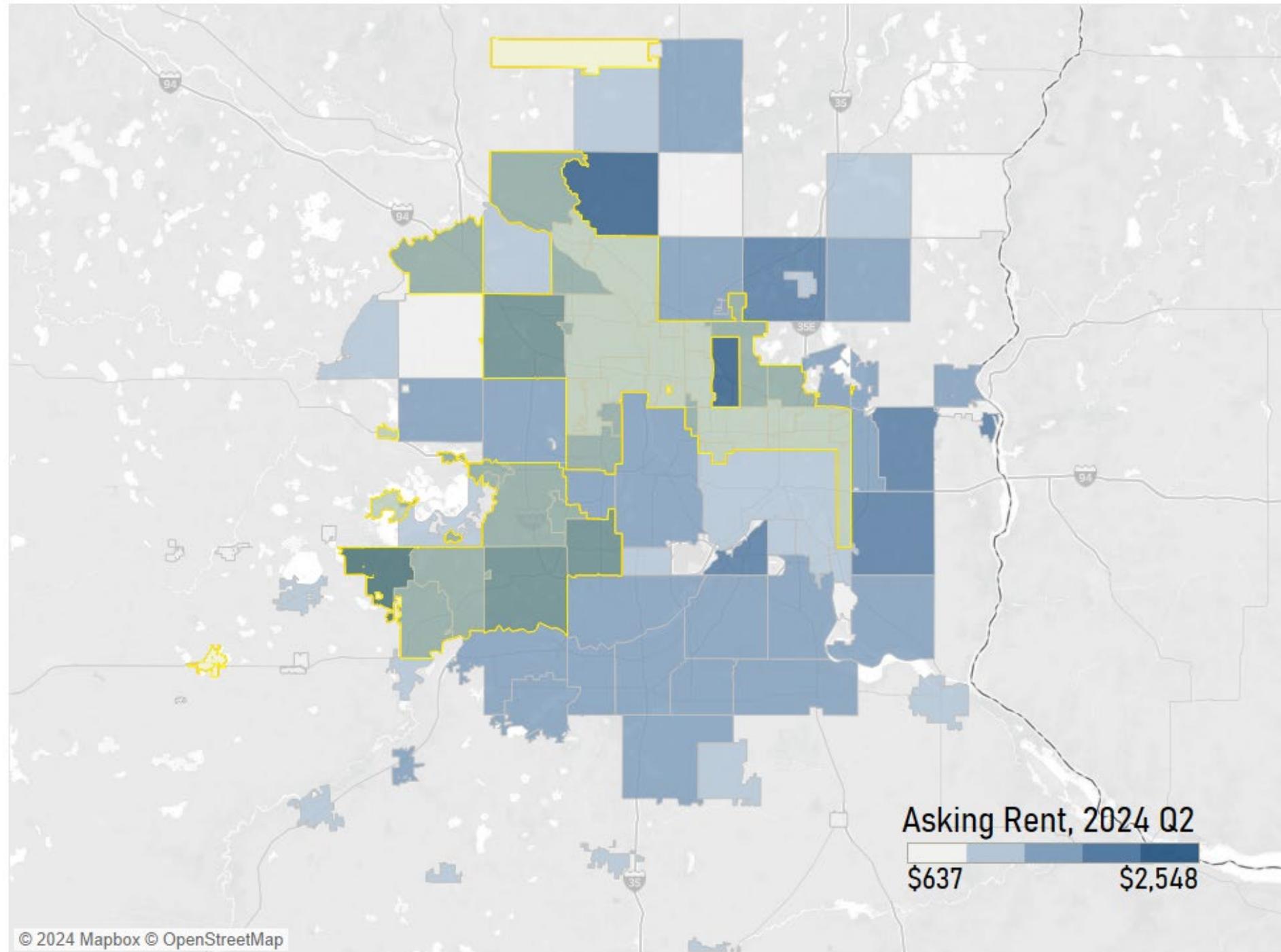


Source: CoStar multifamily asking rents

# City-level HRA region rent increases vary broadly, but most communities have exceeded regional average rent increases since 2010.



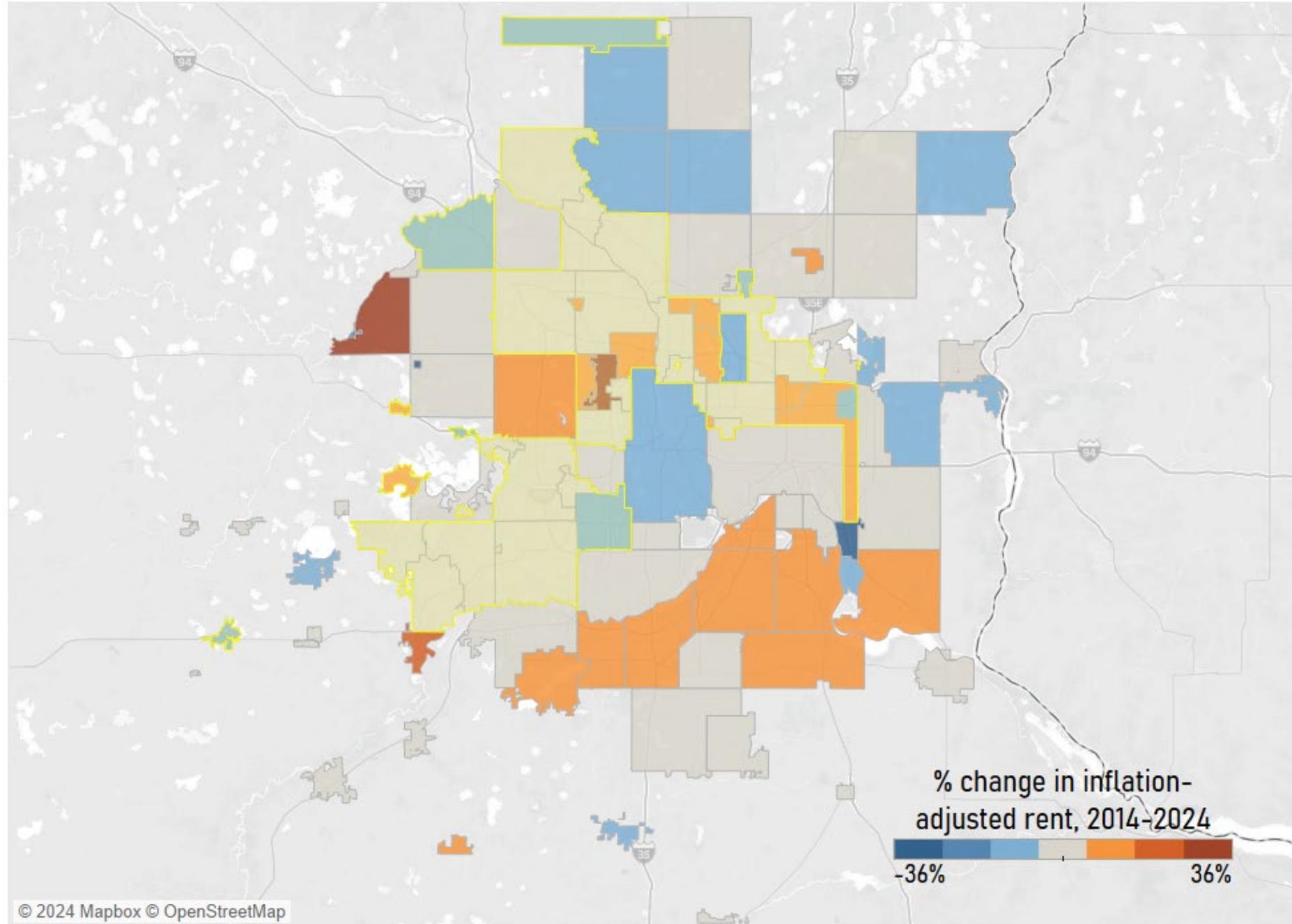
# Spatial Variation in 2024 Q2 Rent in HRA Communities



Source: CoStar multifamily asking rents

# Spatial Trends in Inflation-Adjusted Rent since 2014 in HRA Communities

*Inflation-adjusted **increases are orange** and **decreases are blue***



*Source: CoStar multifamily asking rents, CPI-U*

# In 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
- Housing cost burden has substantially increased since the start of the pandemic, particularly for lower income households
- Though inflation-adjusted rents are relatively static, the worsening landscape of rent burden in our region underscores the importance of considering factors beyond just inflation-adjusted rent in affordable housing policy

# Small Area Fair Market Rents



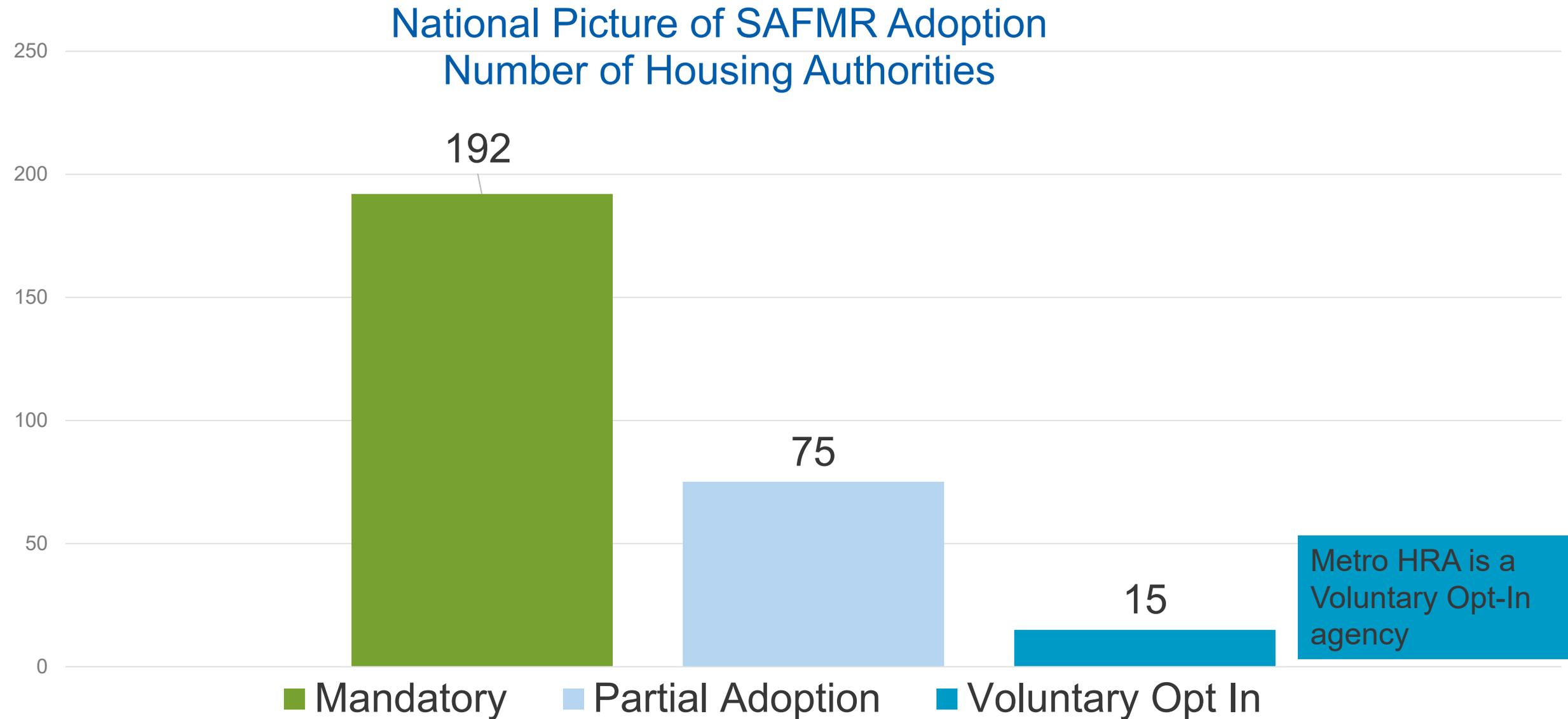
# What are Small Area Fair Market Rents?



## HUD Published Final Rule in 2016

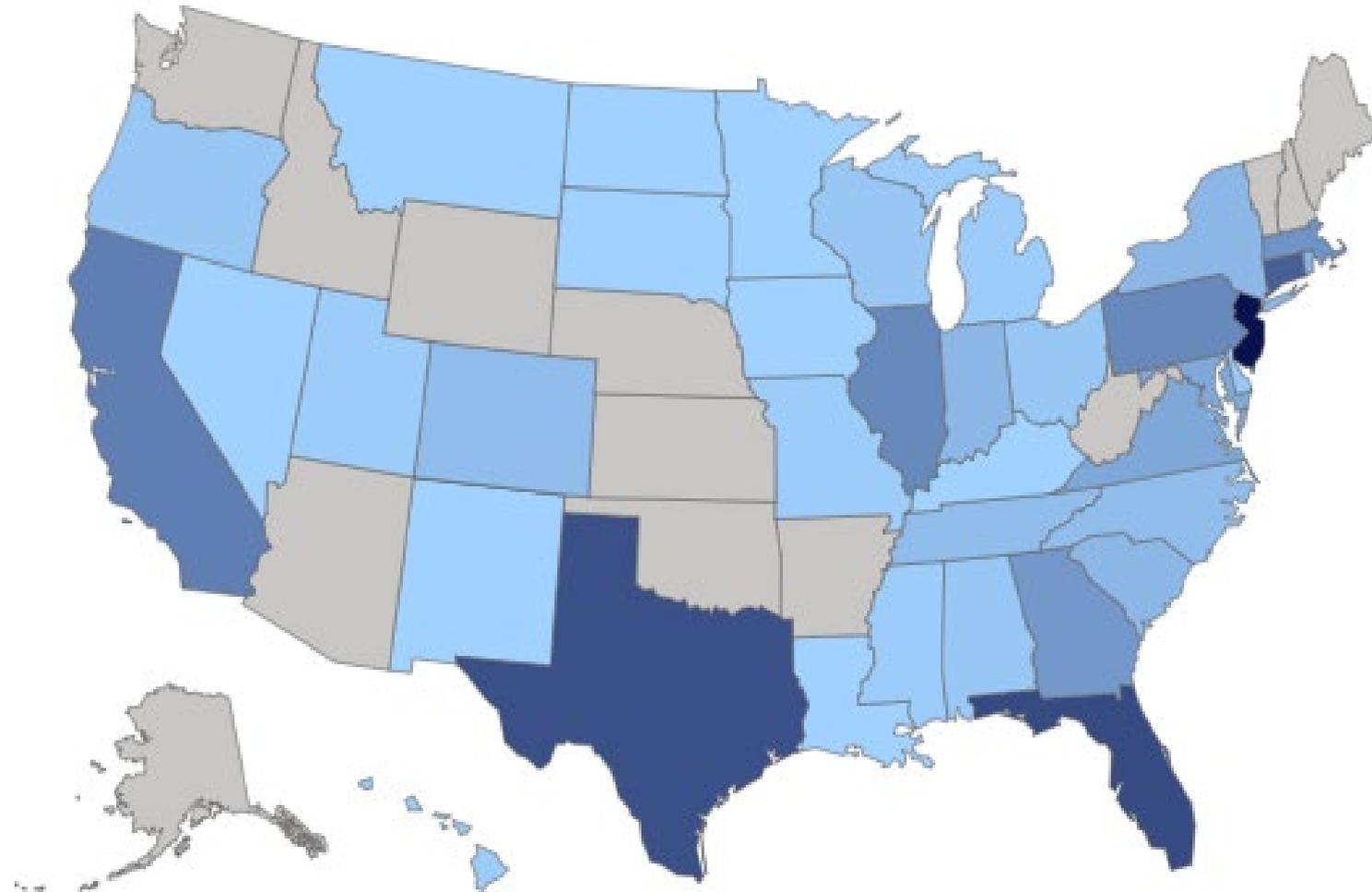
- Calculated at the zip code level vs. metropolitan area-wide Fair Market Rent
- Fair Housing Initiative
- Provide Voucher holder access to lower poverty areas
- 282 Housing Authorities utilizing Small Area Fair Market Rents

# Small Area Fair Market Rents Adoption

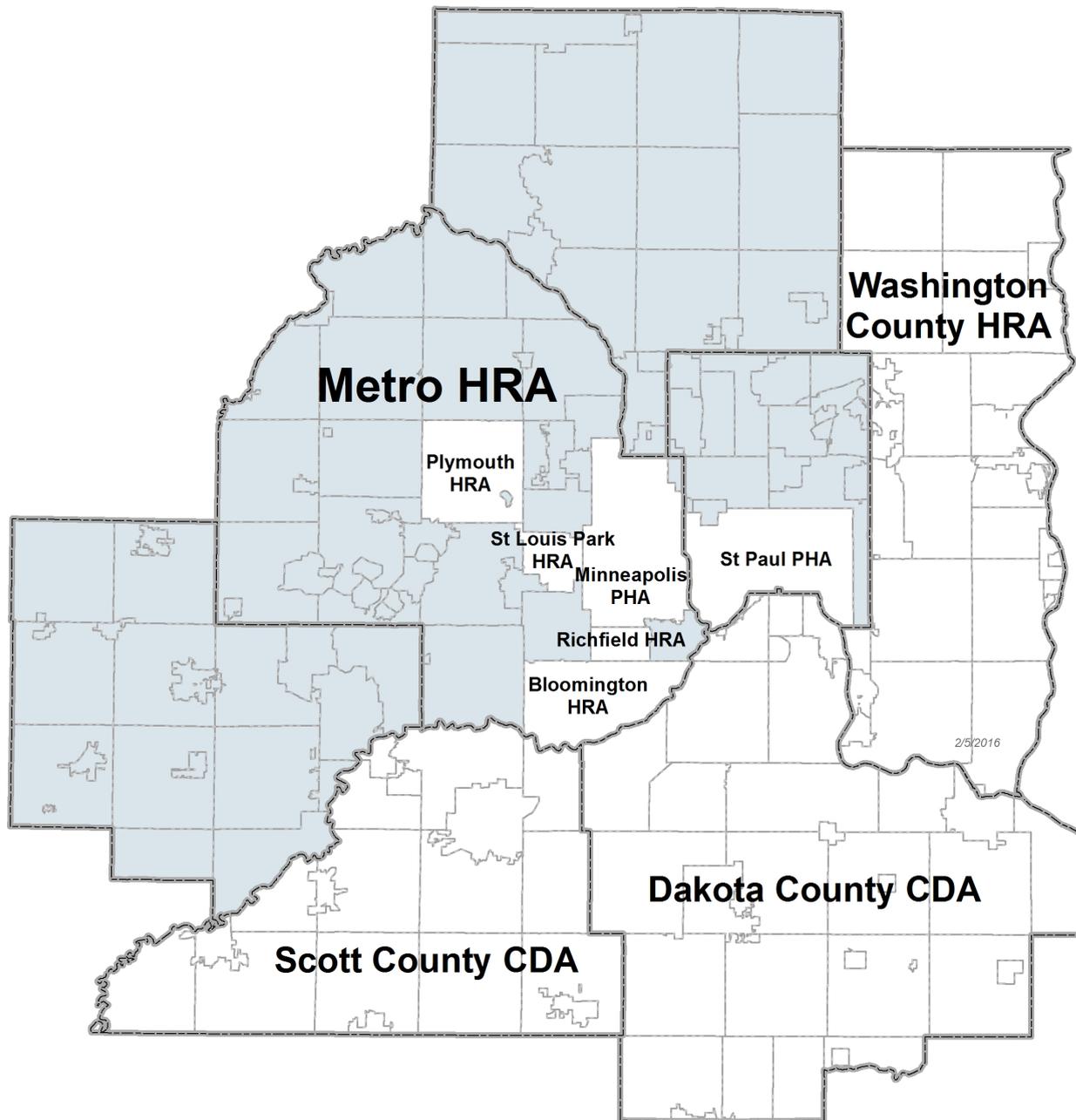


# Small Area Fair Market Rent Adoption

Darker blue indicates a greater number of SAFMR housing authorities in the state. Gray states have no SAFMR agencies.



# Metro HRA Service Area



## Blue areas served by Metro HRA

- Anoka and Carver Counties
- Suburban Hennepin and Ramsey Counties
  - Excluding Minneapolis, St. Paul, Bloomington, Plymouth, Richfield, and St. Louis Park

# Summary of SAFMR Changes

Total Zip Codes in 7-County Region*	Zip Codes in Metro HRA Service Area	Total Zip Codes Requiring Change – outside of range 90% - 110%	Zip Codes Requiring Change in Metro HRA Service Area – outside of range 90% - 110%
177	79	28	14

SAFMR changes range from a 7% decrease to a 14% increase

- Varies by Community

\*The Metro HRA operates some small programs throughout the entire Metro Area

# Payment Standard Considerations

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

- Council can issue up to 7,283 vouchers
- \$91 million in federal revenue

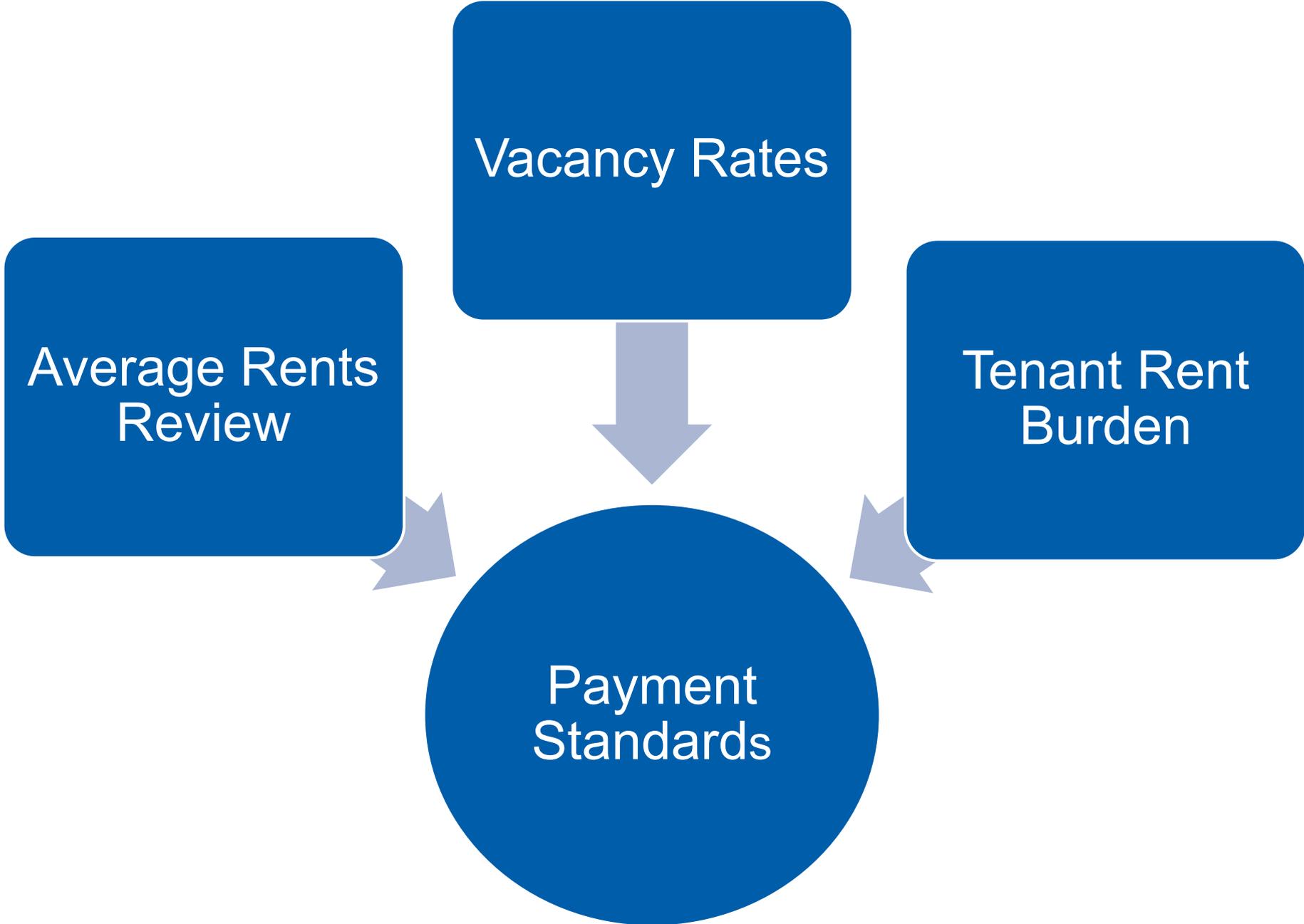
### Higher Rent Limits

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

### Lower Rent Limits

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

# Payment Standards Review



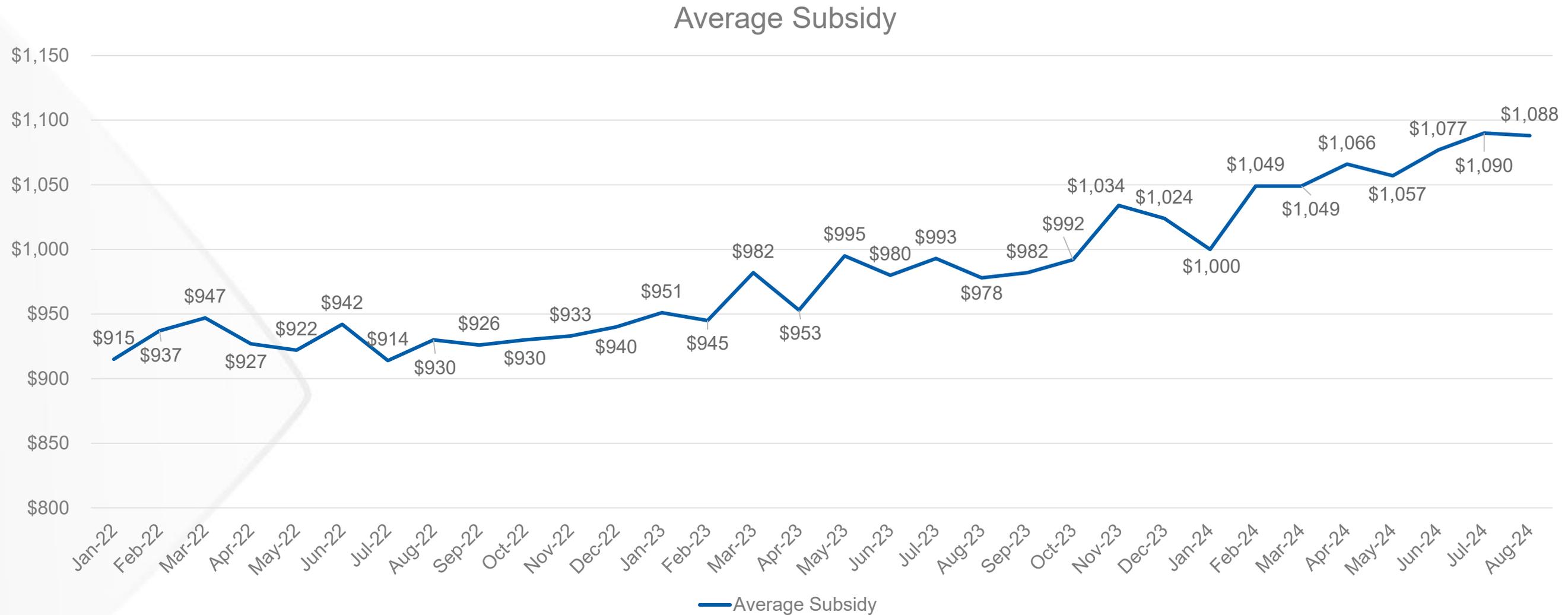
# Payment Standards and Rent



## 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

# Average Per Family Subsidy Cost

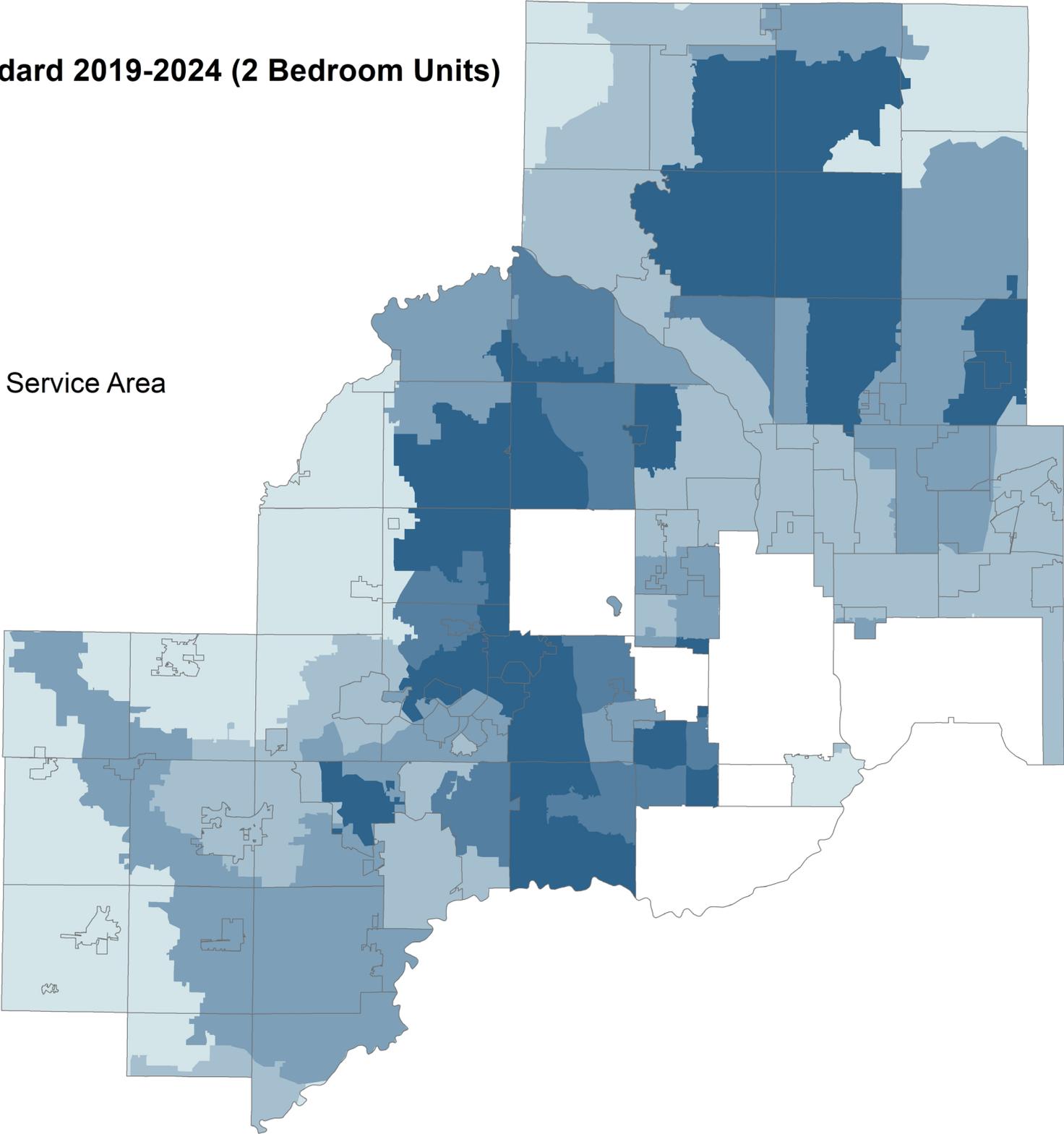
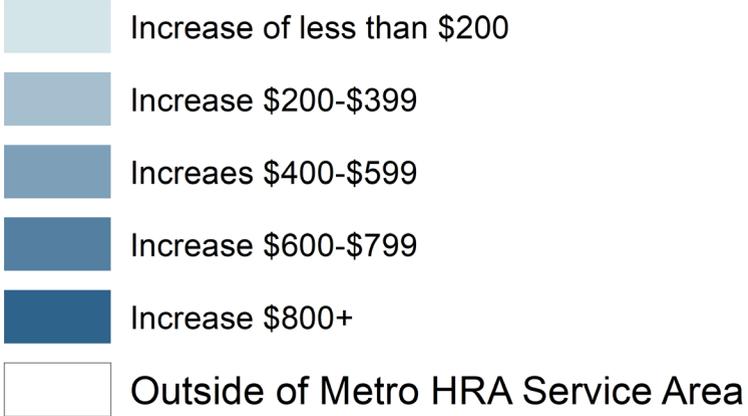


# Small Area Fair Market Rent Analysis



# Metro HRA

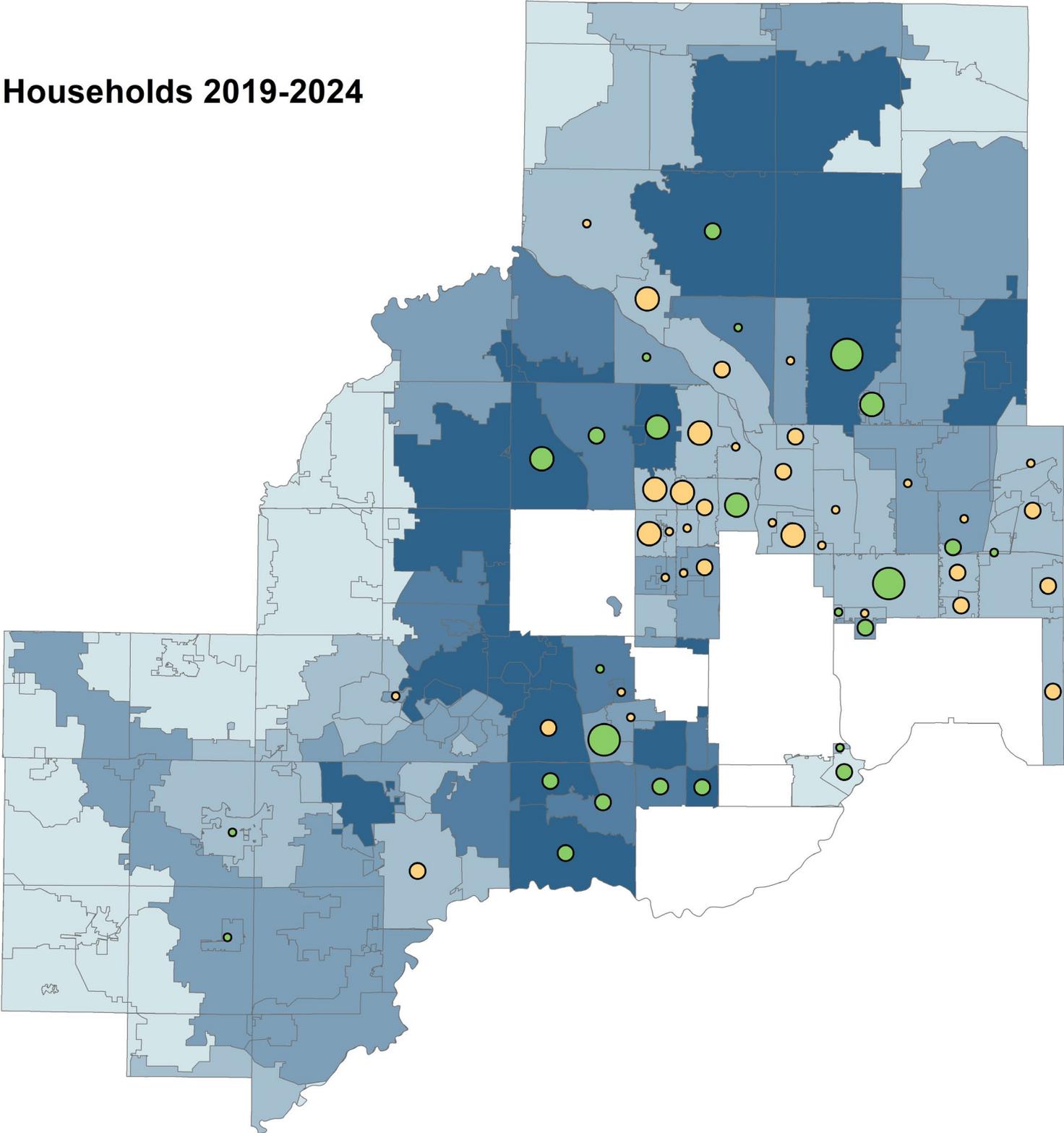
## Change in Payment Standard 2019-2024 (2 Bedroom Units)



# Metro HRA

## Change in Assisted Households 2019-2024

- Decrease 50+
- Decrease 20-49
- Decrease 5-19
- Increase 5-19
- Increase 20-49
- Increase 50-99
- Increase 100+



# Payment Standard Change 2019-2024

Change in Payment Standard (2BR Amounts)	Change in Assisted Households*
Less than \$200	24
\$200-\$399	-596
\$400-\$599	214
\$600-\$799	117
\$800+	417

- Setting Payment Standards by zipcode using the SAFMRs has improved housing choice in the region and has expanded access to communities with historically low voucher usage.

# Budget and Subsidy Scenarios

**Projected 2025 Subsidy Budget = \$91 million**

**Number of Vouchers = 7,283**

Average Subsidy	Total Annual Subsidy Projection	Shortfall?	Number of Families Served	Reduction in Families	% Families Served
\$1,050	\$91,765,800	-\$765,800	7222	-61	99%
\$1,100	\$96,135,600	-\$5,135,600	6894	-389	95%
\$1,150	\$100,505,400	-\$9,505,400	6893	-689	91%

# Success Rates

## % Housing Choice Voucher Holders that use their Voucher

Voucher Type	Success Rate
Housing Choice Voucher – No Supports	60%
Housing Choice Voucher – Mover	65%
Special Purpose Voucher – With Supports	80%

- Reasons Vouchers Not Used:
  - Could not find a unit
  - Found other housing
  - Circumstances Changed
  - Move out of area
  - No longer need voucher
  - Mover decides to remain in their current unit

# Options for Consideration



# 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

## Option 2

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

## Option 3

- Make required changes
- Adjust all to 100% of the Small Area Fair Market Rent
- But . . . Do not reduce any payment standards that are currently above 100% (unless over 110%)
- Make a few market-driven adjustments.

# Option 1 – Required Changes Only

## Increase vs. Decreases

- 11 zip codes increase
- 4 zip codes decrease
- 64 zip codes remain same

## Tenant Impact

- Current Rent burden = 38%
- Future Rent burden = 20%
- 37 Households impacted by decrease
- Households held harmless as long as remain in current unit.

## Implementation Cost

- \$1.91 million
- Reduction in service potential – 147 households

# Option 2 – Adjust all zip codes to 100%

## Increase vs. Decreases

- 51 zip codes increase
- 28 zip codes decrease
- 0 zip codes remain the same

## Tenant Impact

- Current Rent burden = 38%
- Future Rent burden = 15%
- **786 Households impacted by decrease**
- Households held harmless as long as remain in current unit.

## Implementation Cost

- \$2.67 million
- Reduction in service potential - 205 households

# Option 3 - 100% SAFMR - No Discretionary Reductions

## Increase vs. Decreases

- 60 zip codes increase
- 4 zip codes decrease
- 15 zip codes remain same

## Tenant Impact

- Current Rent burden = 38%
- Future Rent burden = 15%
- 37 Households impacted by decrease
- Households held harmless as long as remain in current unit.

## Implementation Cost

- \$2.69 million
- Reduction in service potential - 207 households

# 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
- Increase 11 zip codes
- Decrease 4 zip codes, impacting 37 households
- \$1.91 million
- Potential service reduction – 147 households

## Option 2

- Adjust all to 100% of new Small Area Fair Market Rents
- Increase 51 zip codes
- Decrease 28 zip codes, impacting **768** households
- \$2.67 million
- Potential service reduction – 205 households

## Option 3

- Make required changes
- Adjust all to 100% of the Small Area Fair Market Rent
- But . . . Do not reduce any payment standards that are currently above 100% (unless over 110%)
- Increase 60 zip codes
- Decrease 4 zip codes, impacting 37 households
- \$2.69 million
- Potential service reduction – 207 households

# Payment Standard Considerations



## Things to think about

- Adopting payment standards below 100% of the SAFMR may make it more difficult for voucher holders to find a unit (as in option 1).
- Although the projected 2025 budget is \$91 million, that is an estimate. Historically, we have received additional funds from HUD to prevent reducing program size.
- HUD guideline on rent burden suggests that no more than 40% of voucher holders are rent-burdened
  - All options meet this guideline.

# Next Steps



## Upcoming Dates

- October 21: CDC Information Item
- November 4: CDC Action
- November 15: Council Action
- Quarter 1 2025: Implement new Payment Standards



Thank You

**Terri Smith, Director, Metro HRA**  
[Terri.smith@metc.state.mn.us](mailto:Terri.smith@metc.state.mn.us)

**Sam Limerick, Senior Data Scientist, Research**  
[Samuel.limerick@metc.state.mn.us](mailto:Samuel.limerick@metc.state.mn.us)

**Steve Victorey, Business Systems Analyst 4, Metro HRA**  
[Steven.victorey@metc.state.mn.us](mailto:Steven.victorey@metc.state.mn.us)

