

Metro HRA 2025 Funding Discussion

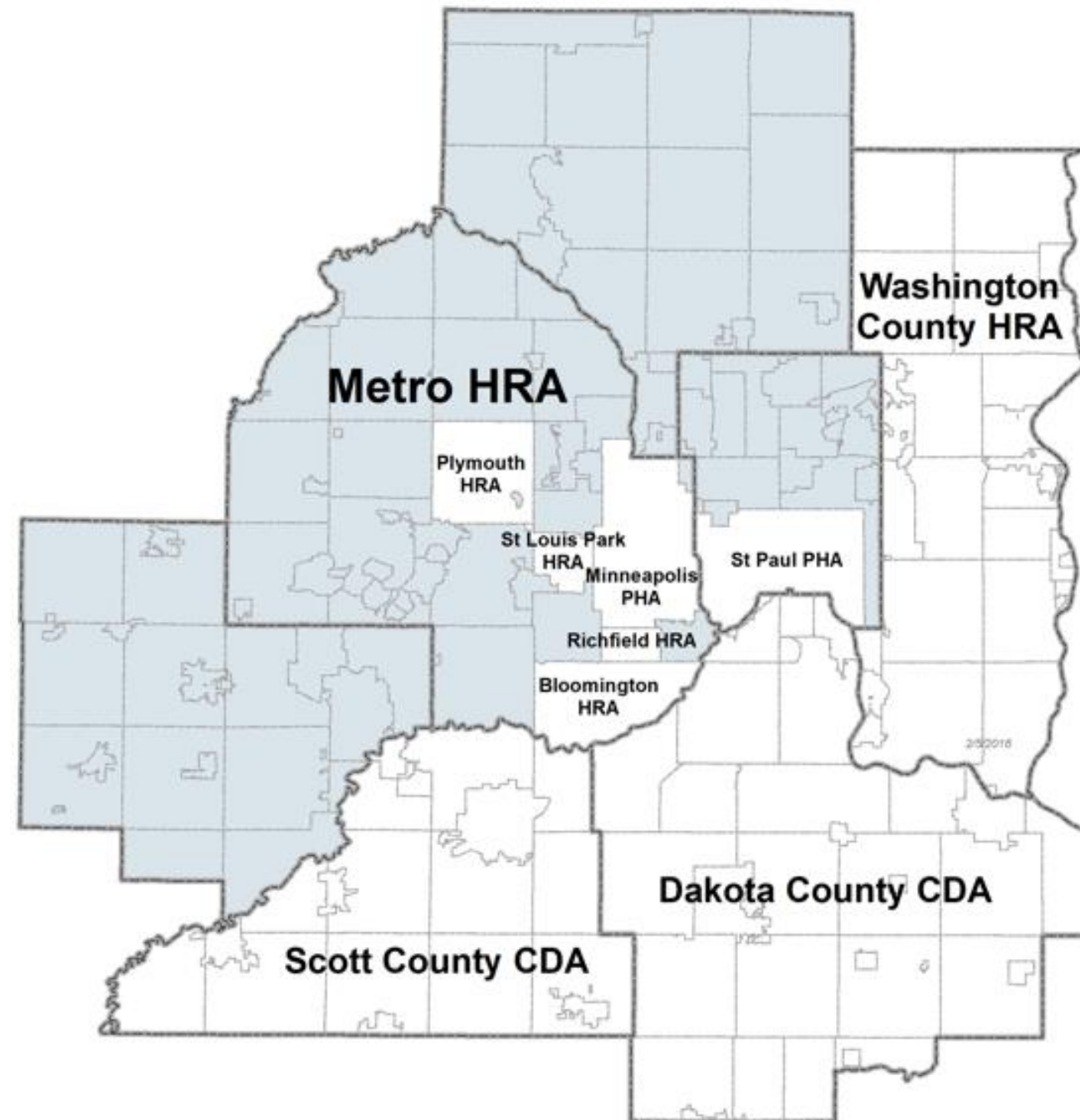


June 2, 2025 Community Development Committee

Metro HRA Summary

Metro HRA's service area

- Anoka and Carver Counties and Suburban Hennepin and Ramsey Counties
 - 96 communities
- 7,303 Housing Choice Vouchers
- 9 Programs
- \$90 million in annual rent payments to 1,400 active landlords



Metro HRA Funding



97% Federal Funds

- U.S. Department of Housing and Urban Development
- Annual Congressional Appropriations
- Congress passed a Continuing Resolution on March 14th
- Provides funding at 2024 levels for 2025

Funding Considerations

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

- Council can issue up to 7,308 vouchers
- \$94 million awarded in federal revenue

Higher Average Rents

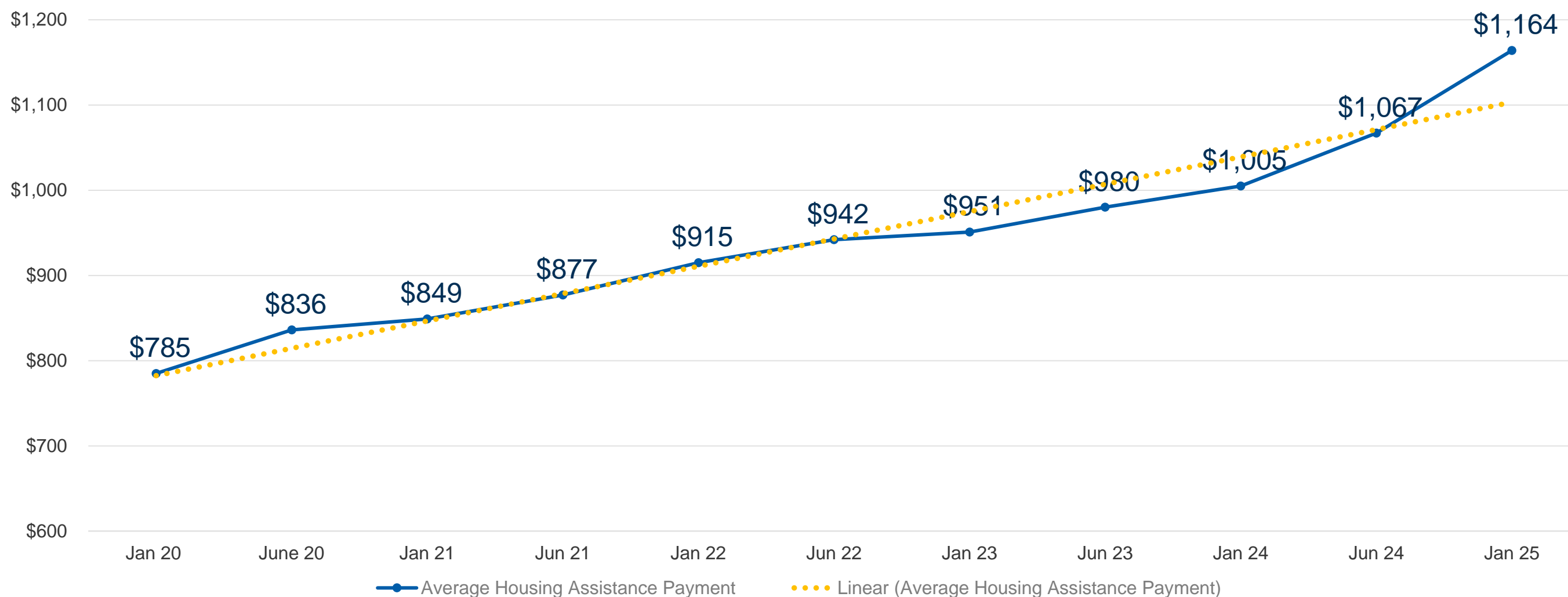
- Higher subsidy costs
- Fewer vouchers issued

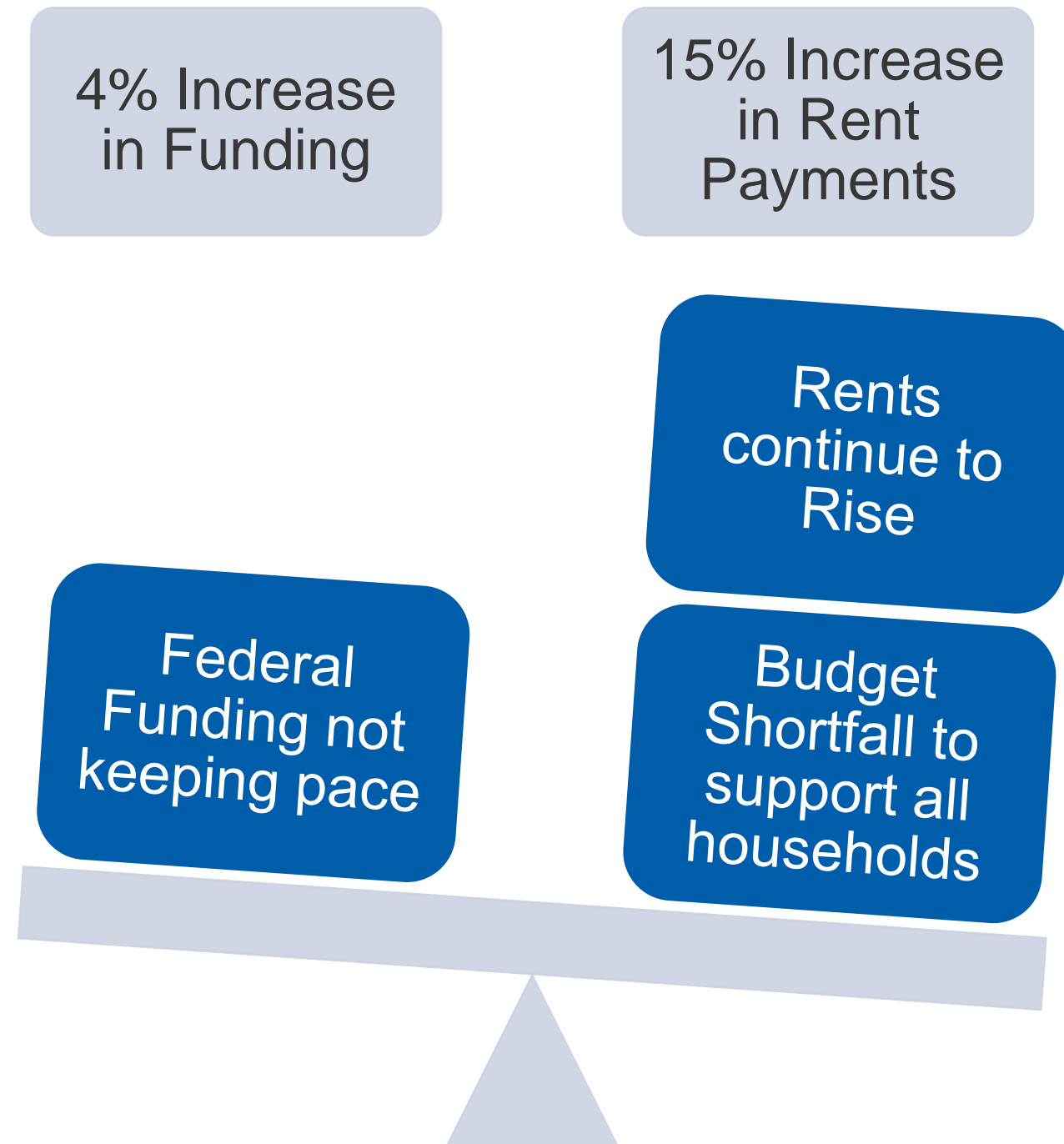
Lower Average Rents

- Lower subsidy costs
- More vouchers issued

Average Housing Assistance Payment

January 2020 – January 2025





Letter from HUD to Executive Directors

Limited Shortfall Funds

- HUD remains concerned that a sizeable number of agencies may experience funding shortfalls this year. . .
- HUD has very limited funds to address shortfalls in 2025, and agencies should not operate their programs under an assumption that such funds will be available . . .
- It is important that your agency take immediate steps to mitigate this risk. . .

Actions Taken to Reduce Program Size

Stopped all
waiting List
Selections

Stopped
issuing new
vouchers

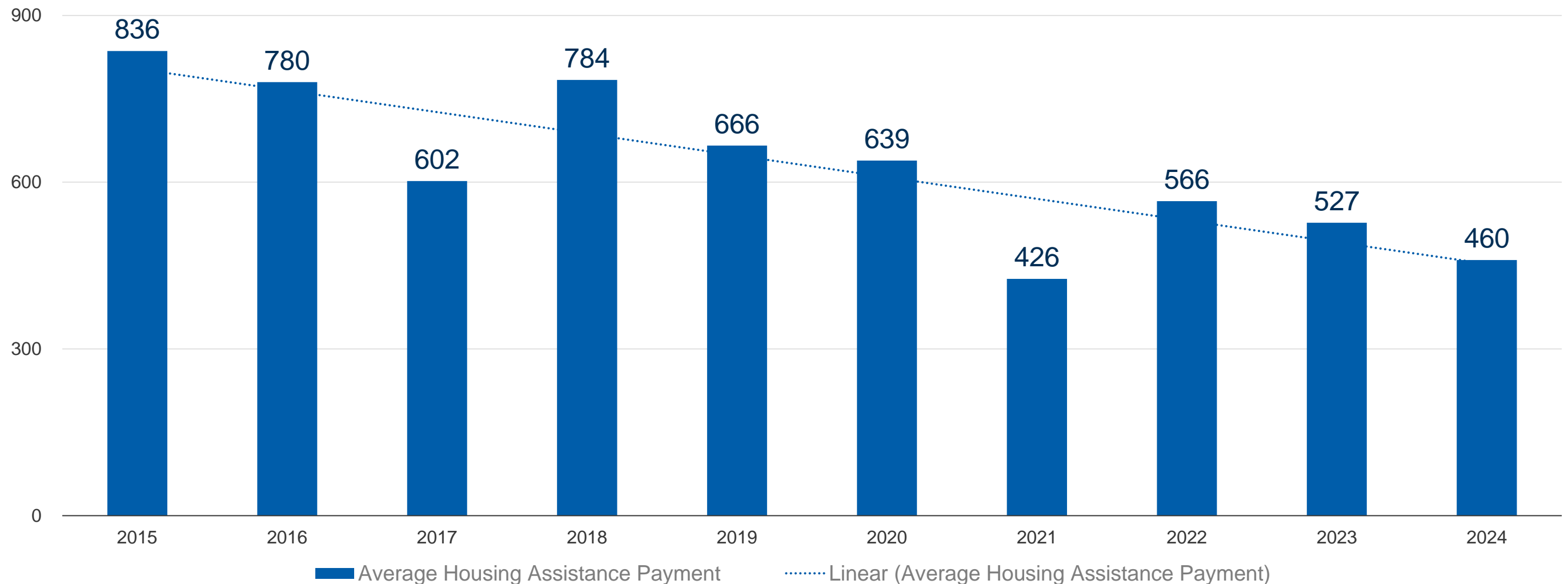
Put a freeze on
Project Based
Voucher
movers

Stopped
absorbing
vouchers

These actions are estimated to reduce program size through attrition by approximately 375 vouchers by year end 2025

Historical Program Attrition

10 Year Annual Attrition Rates



Potential Solutions – Three Options

Apply for HUD Shortfall Funds

- Must end all leasing and voucher issuance
- Program reduction of 375 Households through monthly attrition
- \$200 Million Available in Set-Aside Funding

Use Metro HRA Program Reserves

- \$5 Million needed
- Program reduction of 375 Households through monthly attrition
- Restrictions on use of local funds

Termination of Rent Assistance

- No set-aside funds
- No use of reserves
- **Would require termination of rent assistance for 900 households effective September 1st.**

Financing Considerations



Financial Considerations



Use \$5M in HRA Reserves

- HRA has adequate unrestricted reserves to cover the one-year of shortfall
- HRA reserves remains within Council policy regarding fund balance after use of reserves
- Requires council action to approve a budget amendment
- Use of reserves would not impact eligibility for HUD Shortfall Funding
- Use of reserves is a one-time occurrence
- Use of reserves would increase HUD base funding for subsequent year

Financial Considerations

Use \$5M in HRA Reserves

HUD Base Funding Scenarios

Scenario 1 HUD Base Funding			Scenario 2 HUD Base Funding		
2025 Annual Subsidy Projection	*Use of Reserves	2026 Annual Subsidy Projection	2025 Annual Subsidy Projection	Use of Reserves	2026 Annual Subsidy Projection
\$94M	\$5M	\$99M	\$94M	\$0	\$94M

*Use of reserves (that originated from HUD revenue) would increase subsequent year HAP eligibility calculation (HUD rule)

*Cannot use Local funds to cover subsidy costs (HUD rule)

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Terri Smith,

Director, Metro HRA
Terri.smith@metc.state.mn.us

Larry Phillips

Accounting Manager, General Ledger
Larry.phillips@metc.state.mn.us

