Metro HRA Payment Standards Discussion

Community Development Committee

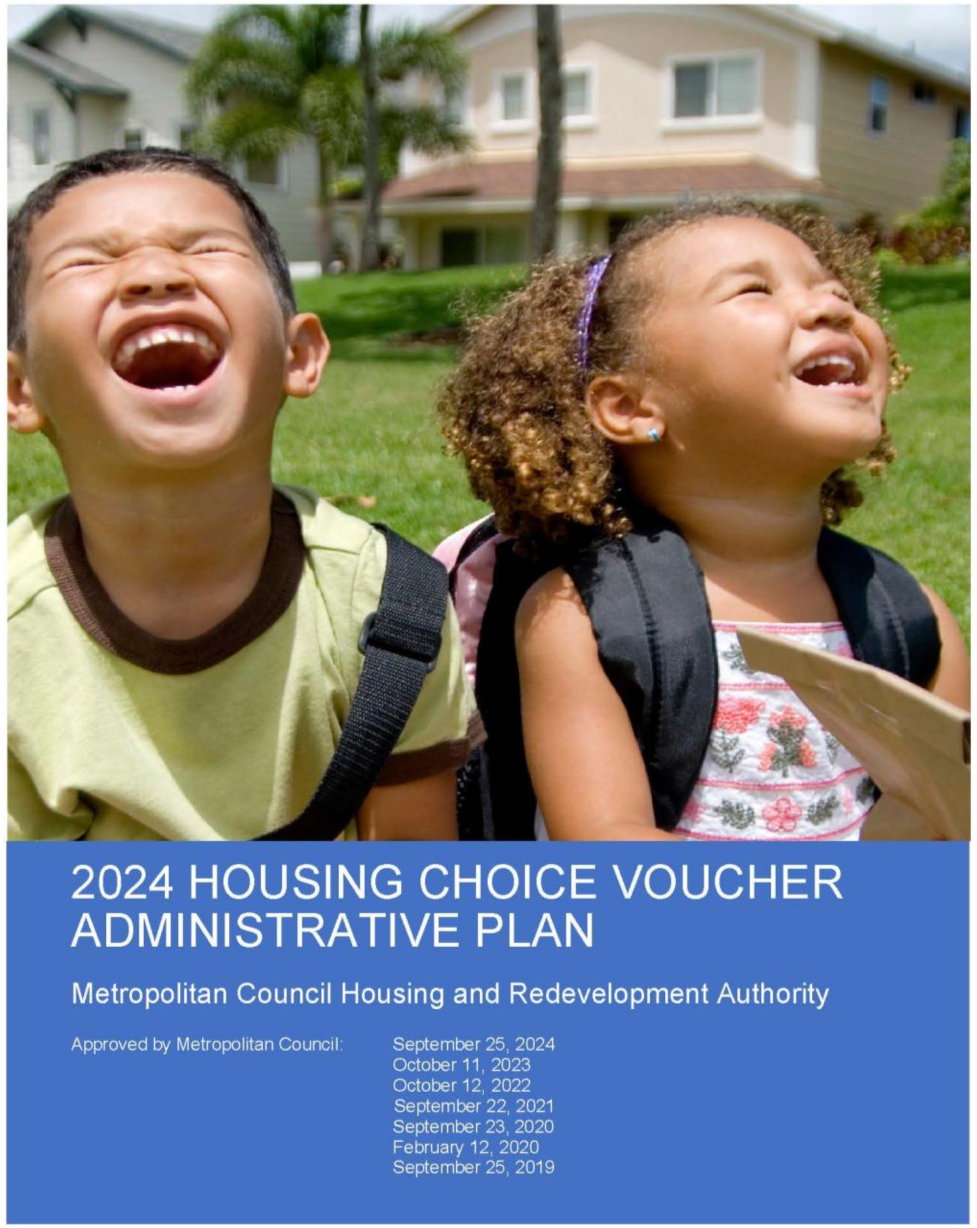
October 20, 2025

Introductions

Panel Members

- Terri Smith, Director, Metro HRA
- Caitlin Hamrock, Principal Data Scientist, Research
- Steve Victorey, Business Systems Analyst 4, Metro HRA

Payment Standards



Payment Standards = Rent Limits

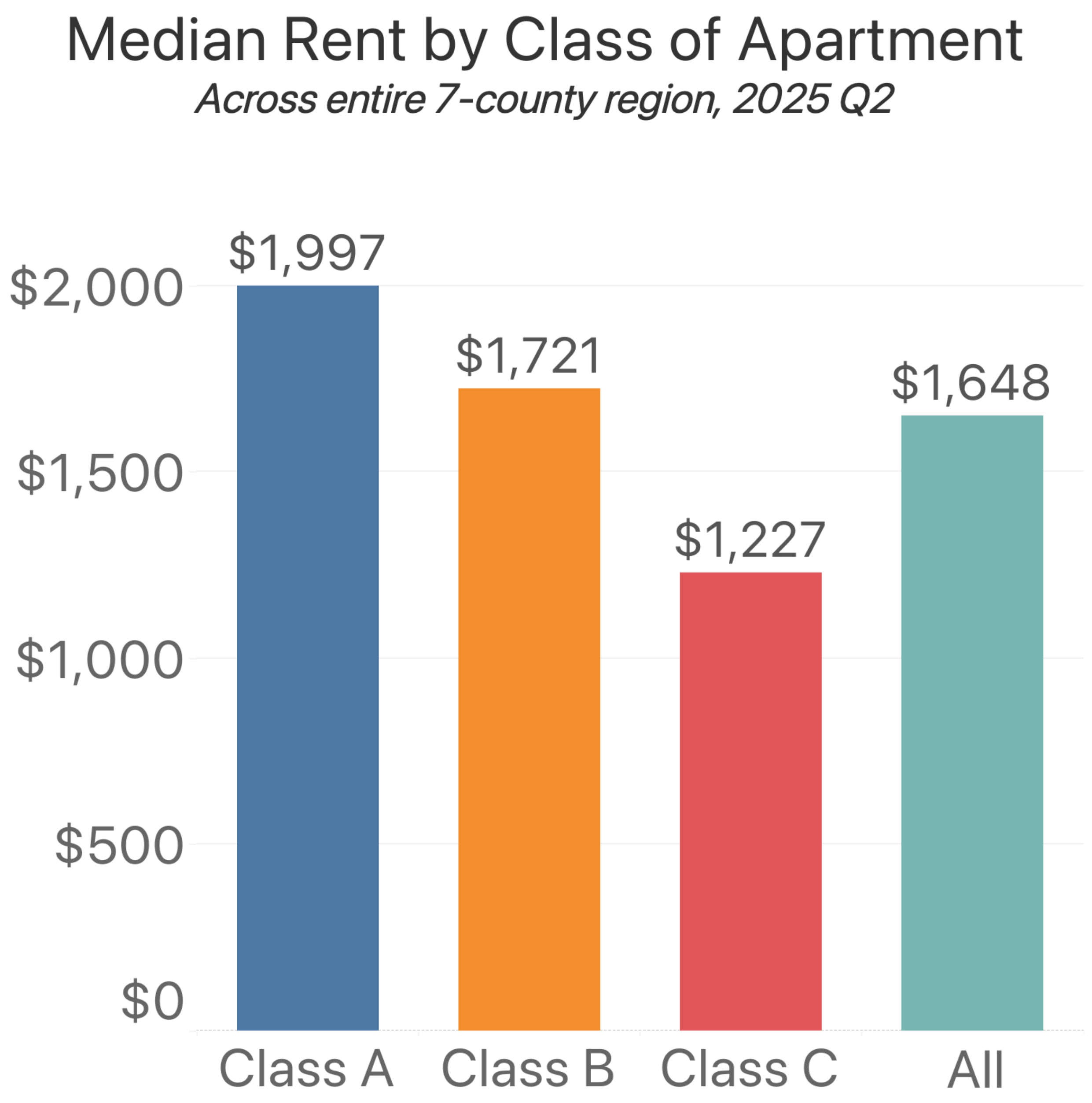
- Limited by Fair Market Rents (FMR) issued each year by U.S. Department of Housing and Urban Development
- Must adopt Payment Standards between 90% and 110% of the new FMRs
- Used to calculate maximum rent for voucher holders

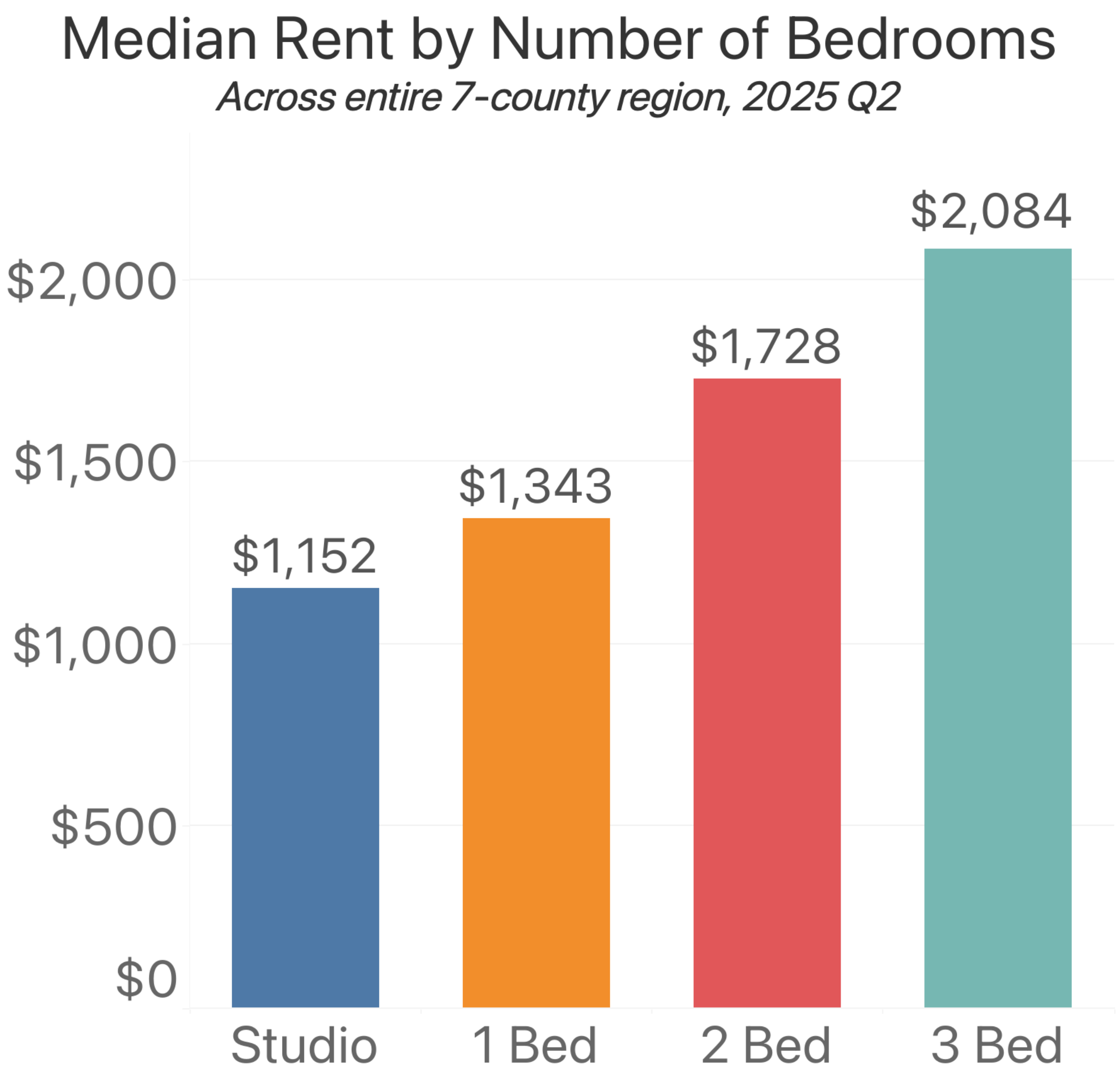
What does the rental market data show?

Key Takeaways

- Rents are still increasing
  - Fastest for most affordable units
  - Faster in our region than other metro areas
- Rent burden becoming more common, and more severe
- Important variation in rent growth trajectories by region and type of apartment (class)

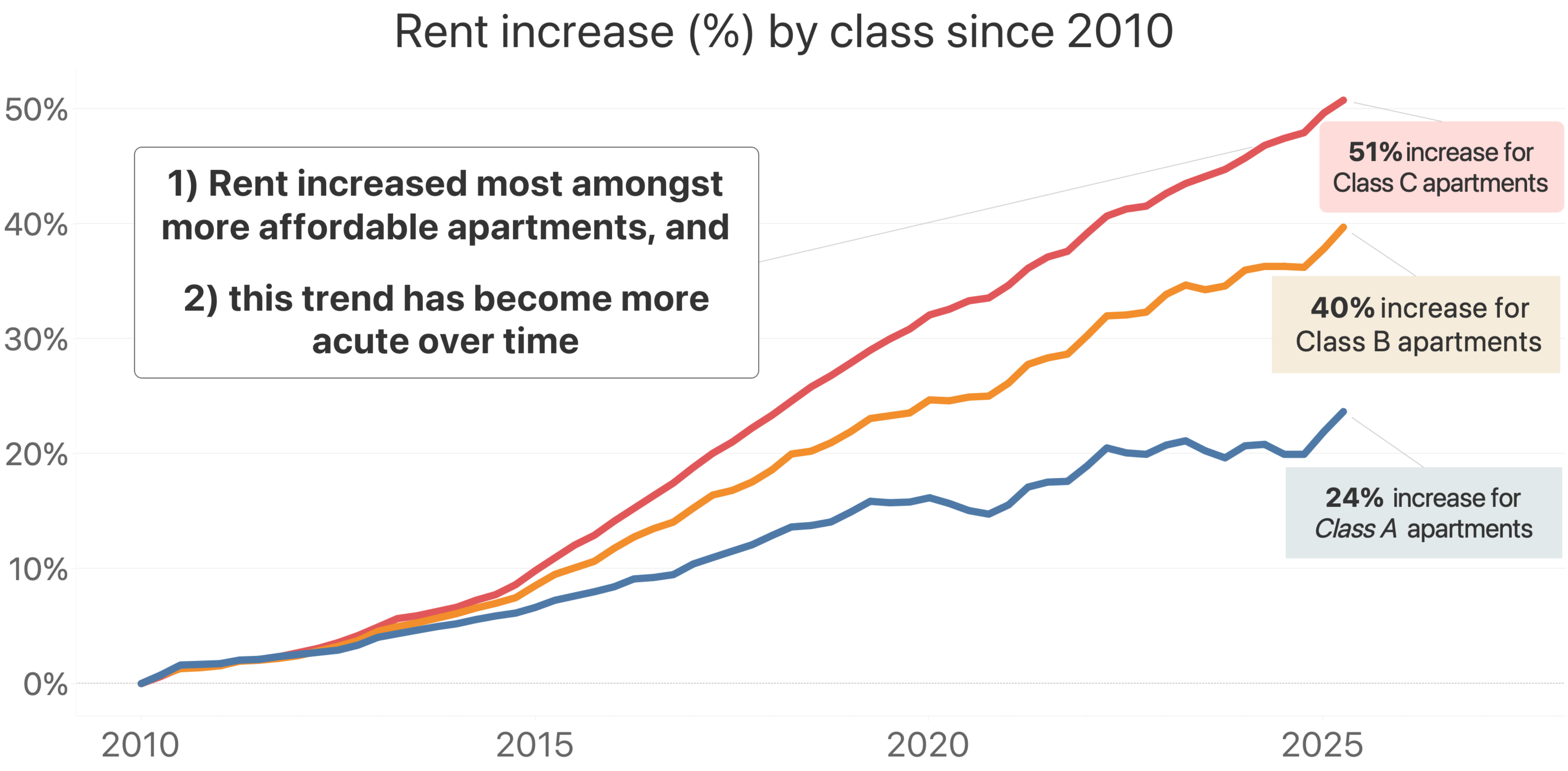
What do rents look like in the region?





Source: CoStar multifamily asking rents

Rent increases most pronounced for most affordable apartments



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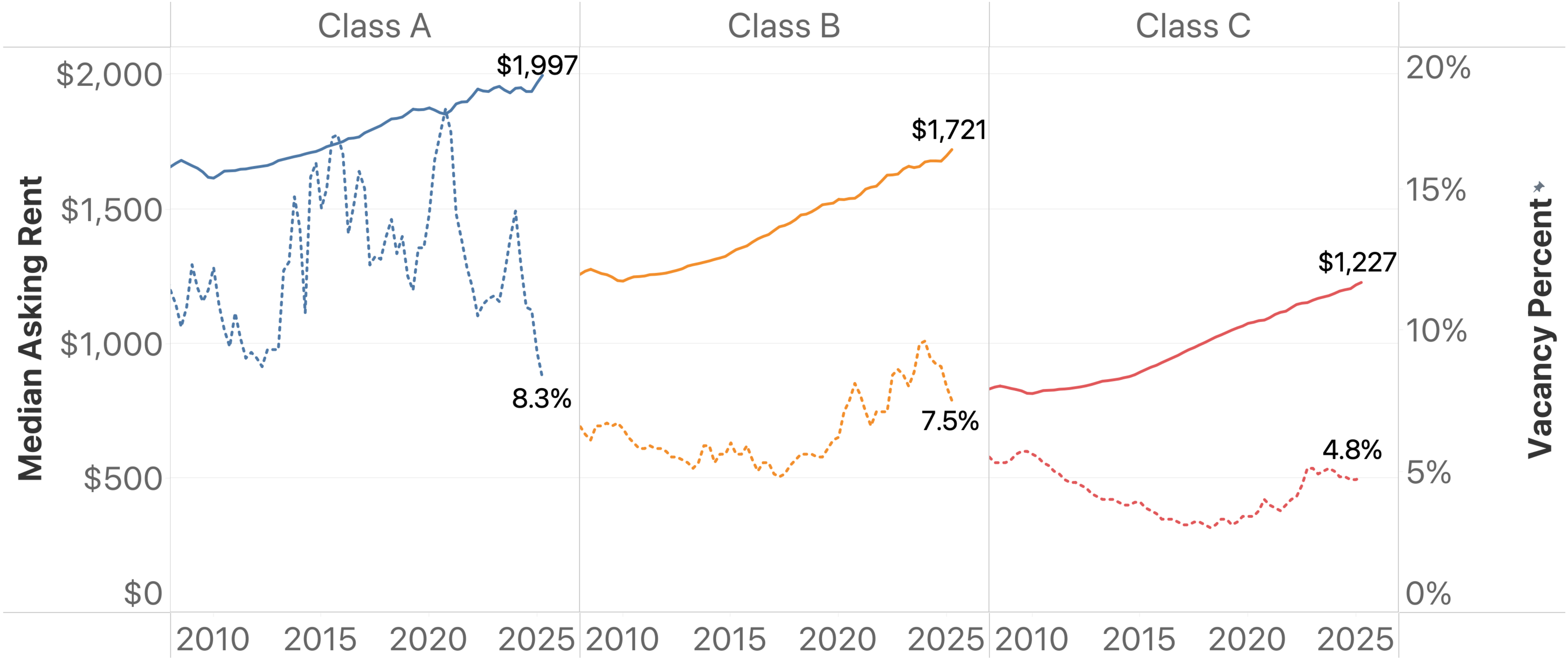
Source: CoStar multifamily asking rents

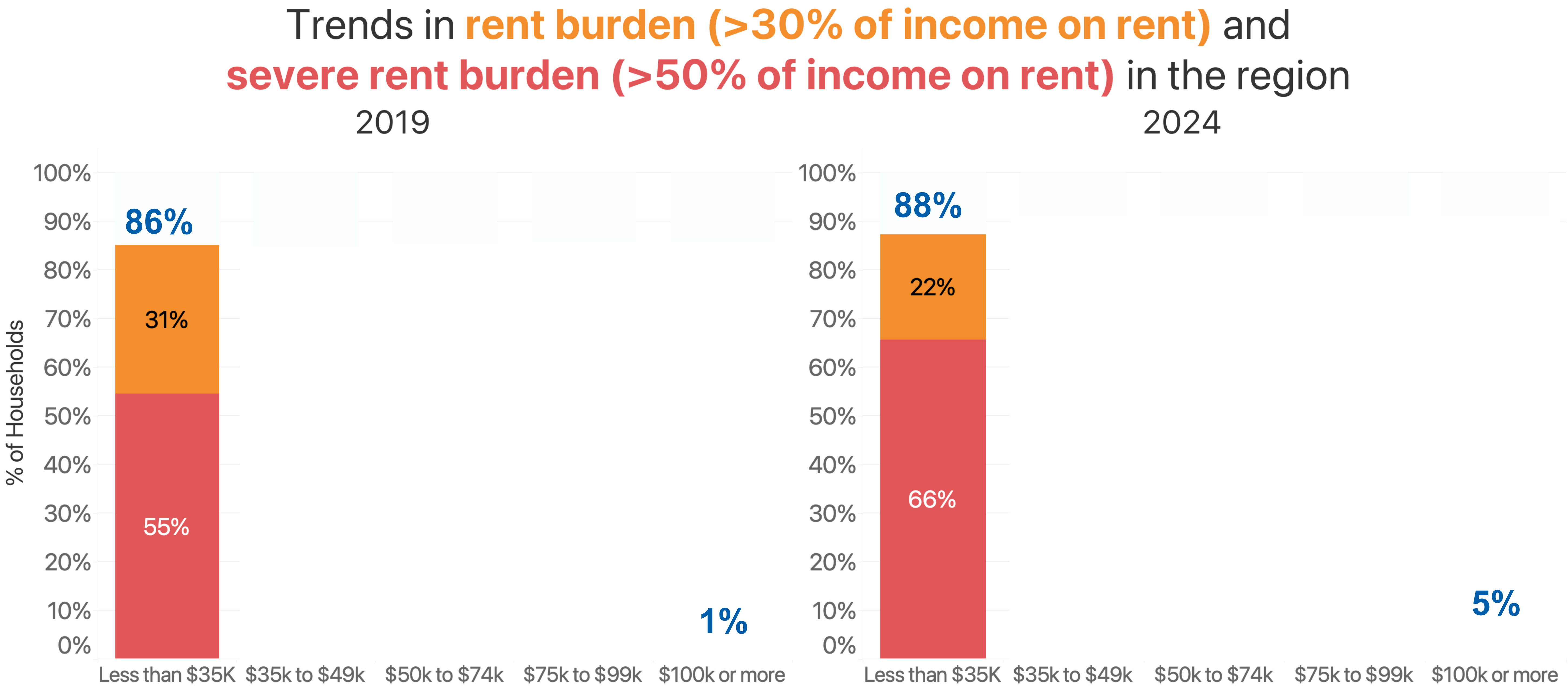
Vacancy rates are variable in class A apartments, but consistently low in Class C apartments

Median rent (solid line) and % vacancy (dashed line) by bed since 2010



Source: CoStar multifamily asking rent and vacancy rates

Rent burden is most acute for lower income households, but has increased for all renters since the pandemic



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

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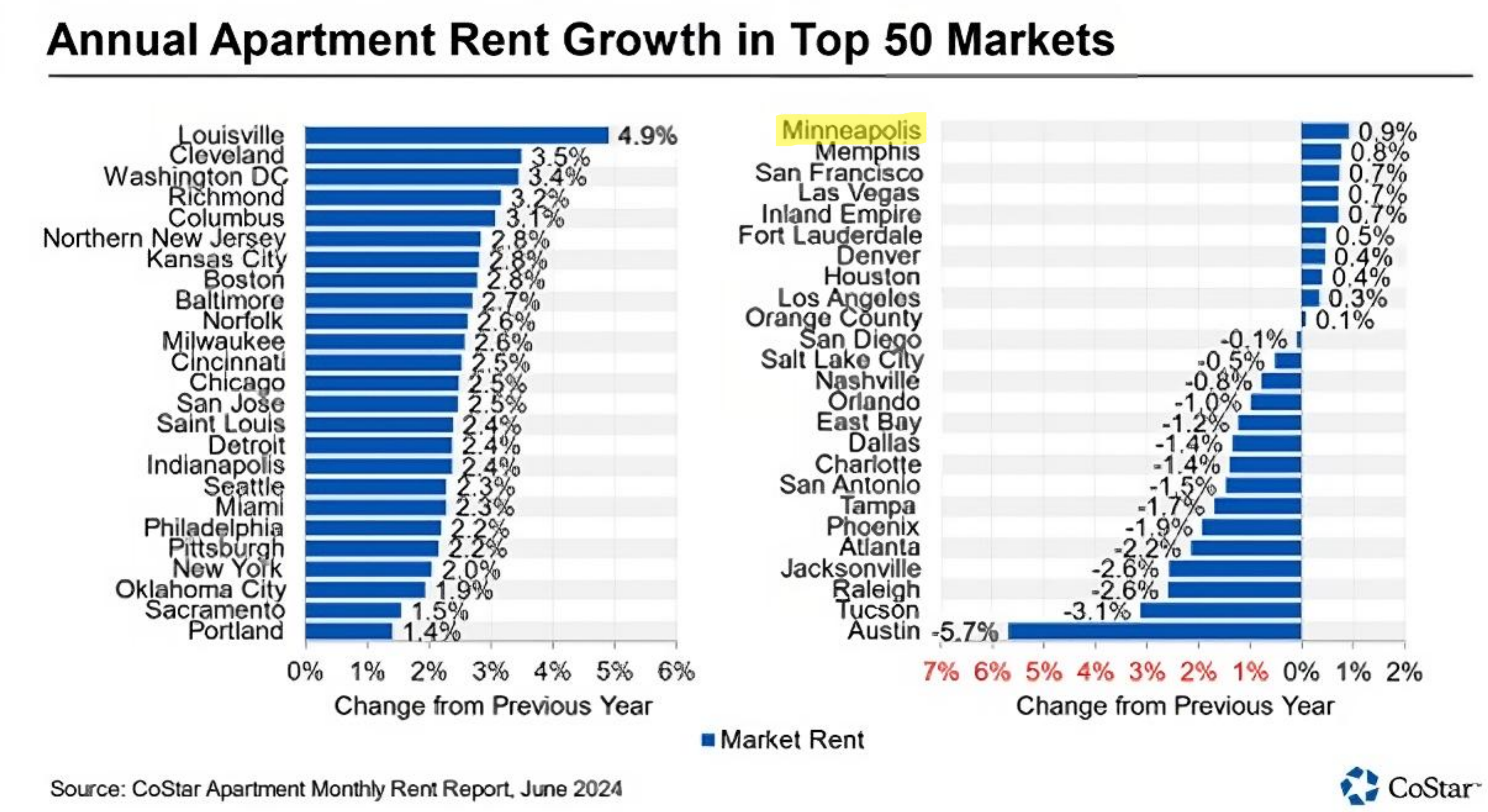
2024: It could be worse?

Twin Cities rent prices increased less than other metros between 2023-2024



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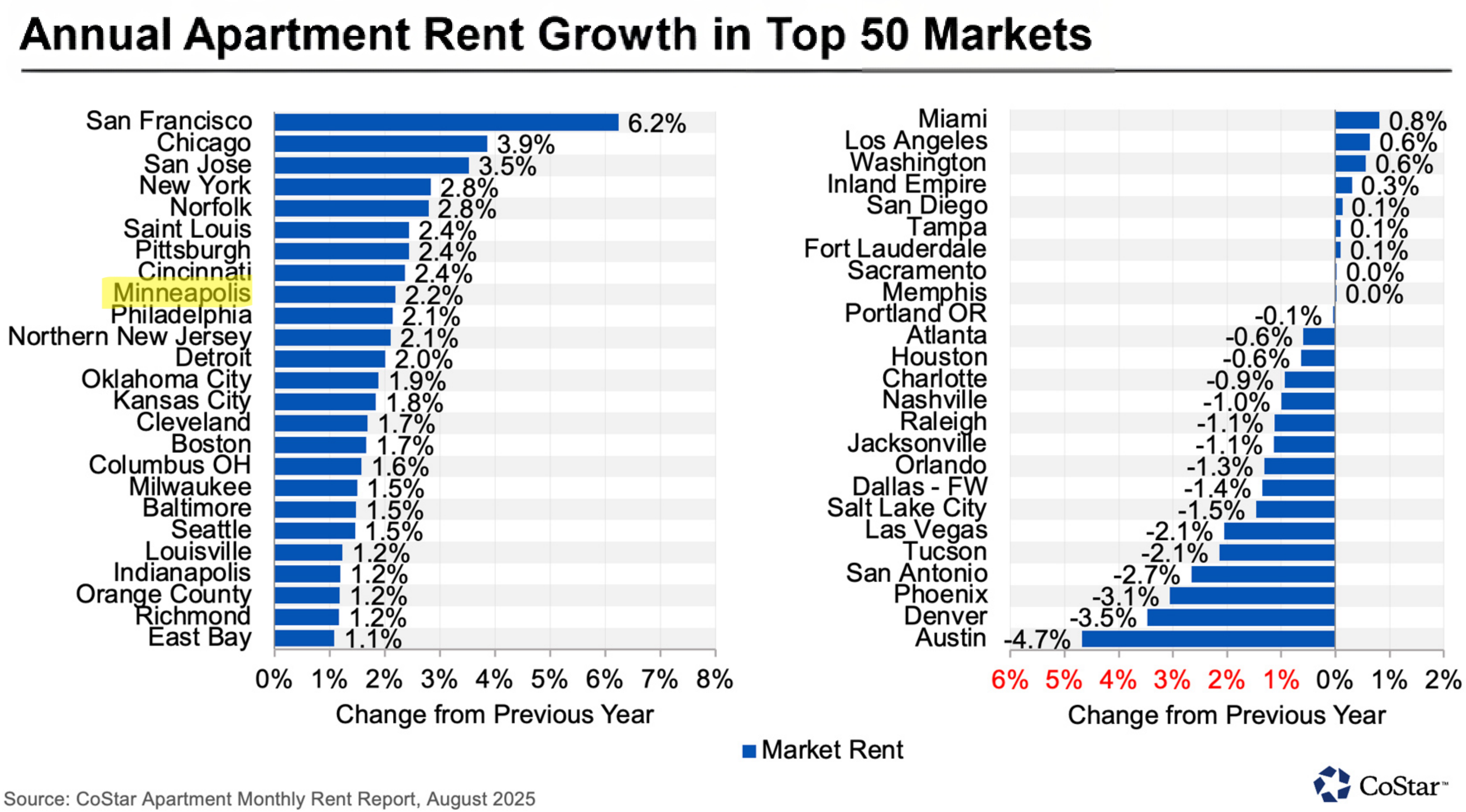
2025: Region has some of the highest rent growth in the nation

Twin Cities rent prices increased more than other metros between 2023-2024



Source: CoStar Apartment Monthly Rent Report, August 2025

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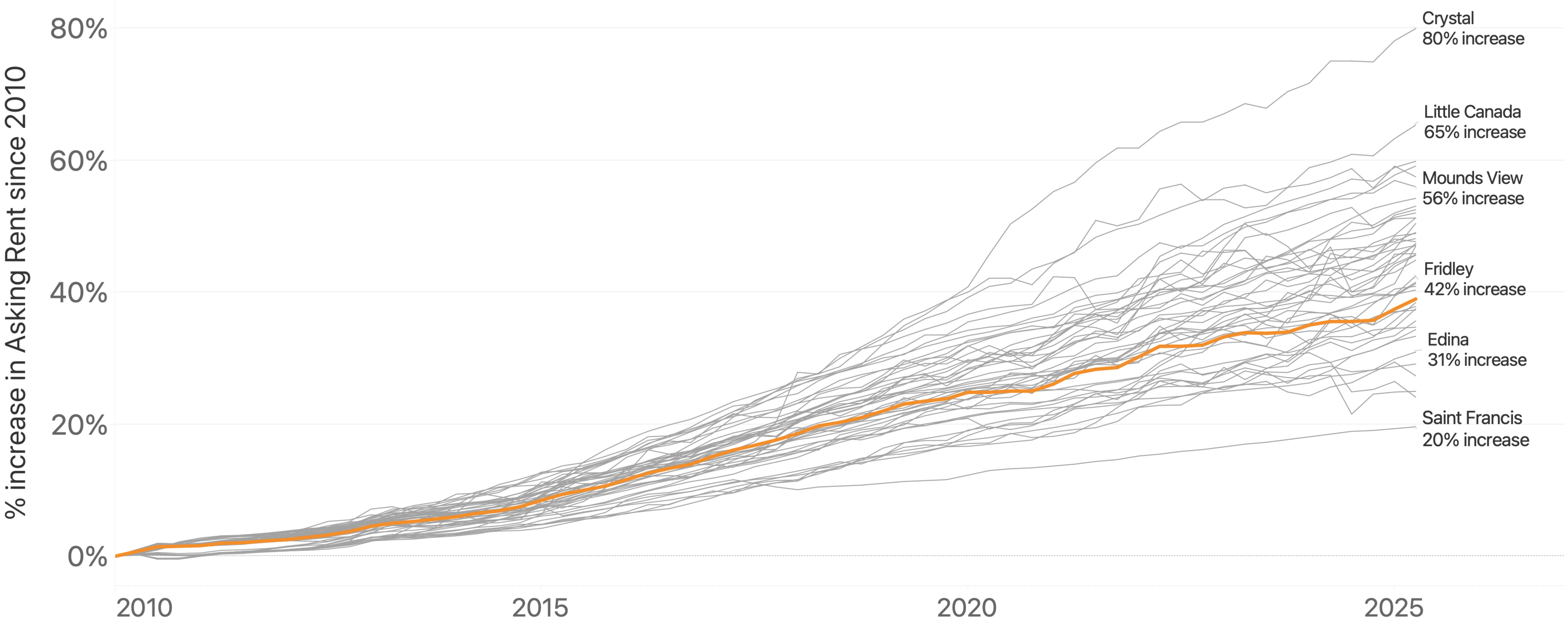
Great deal of variation in rent increases across the region

City-level and regional average rent increases since 2010



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Source: CoStar multifamily asking rents

Key Takeaways

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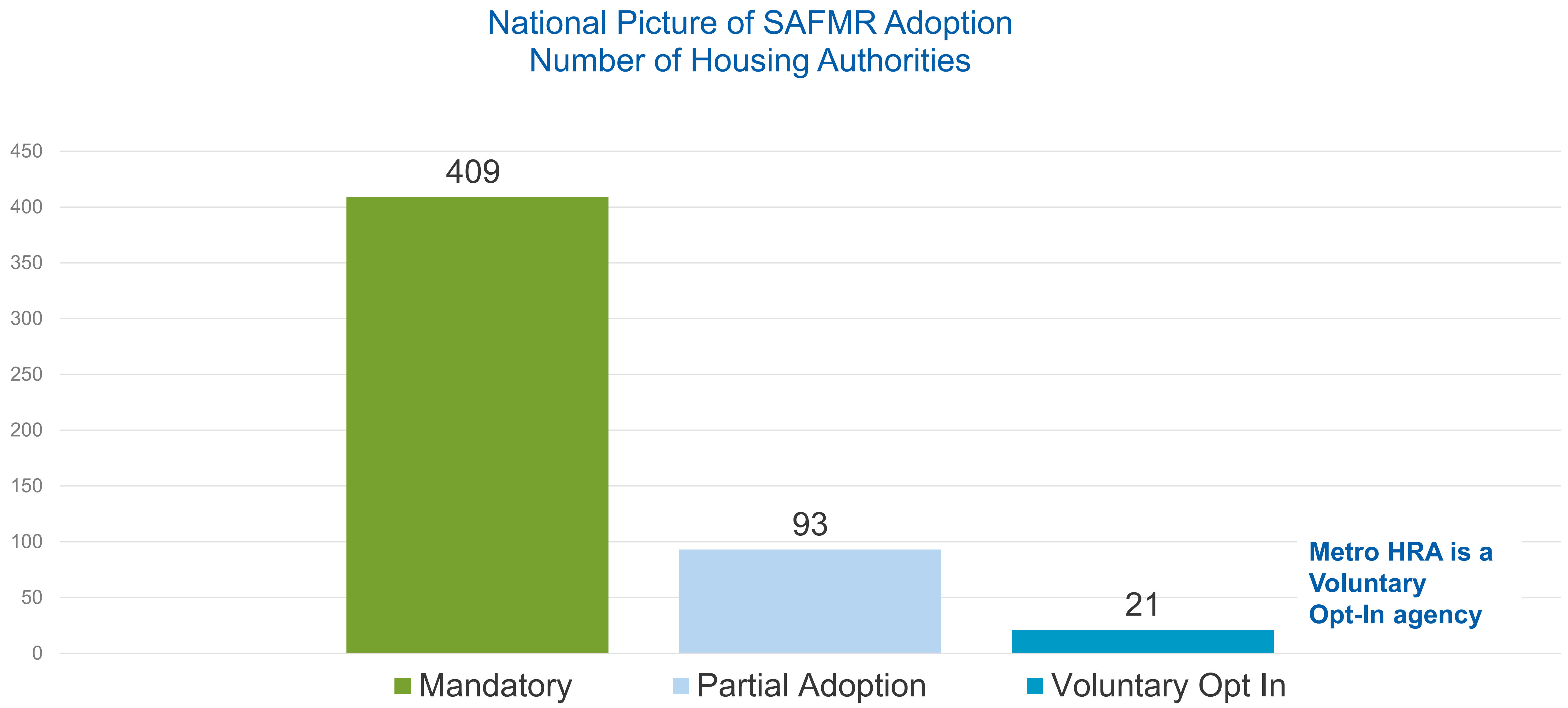
Small Area Fair Market Rents

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
- Improve housing choice

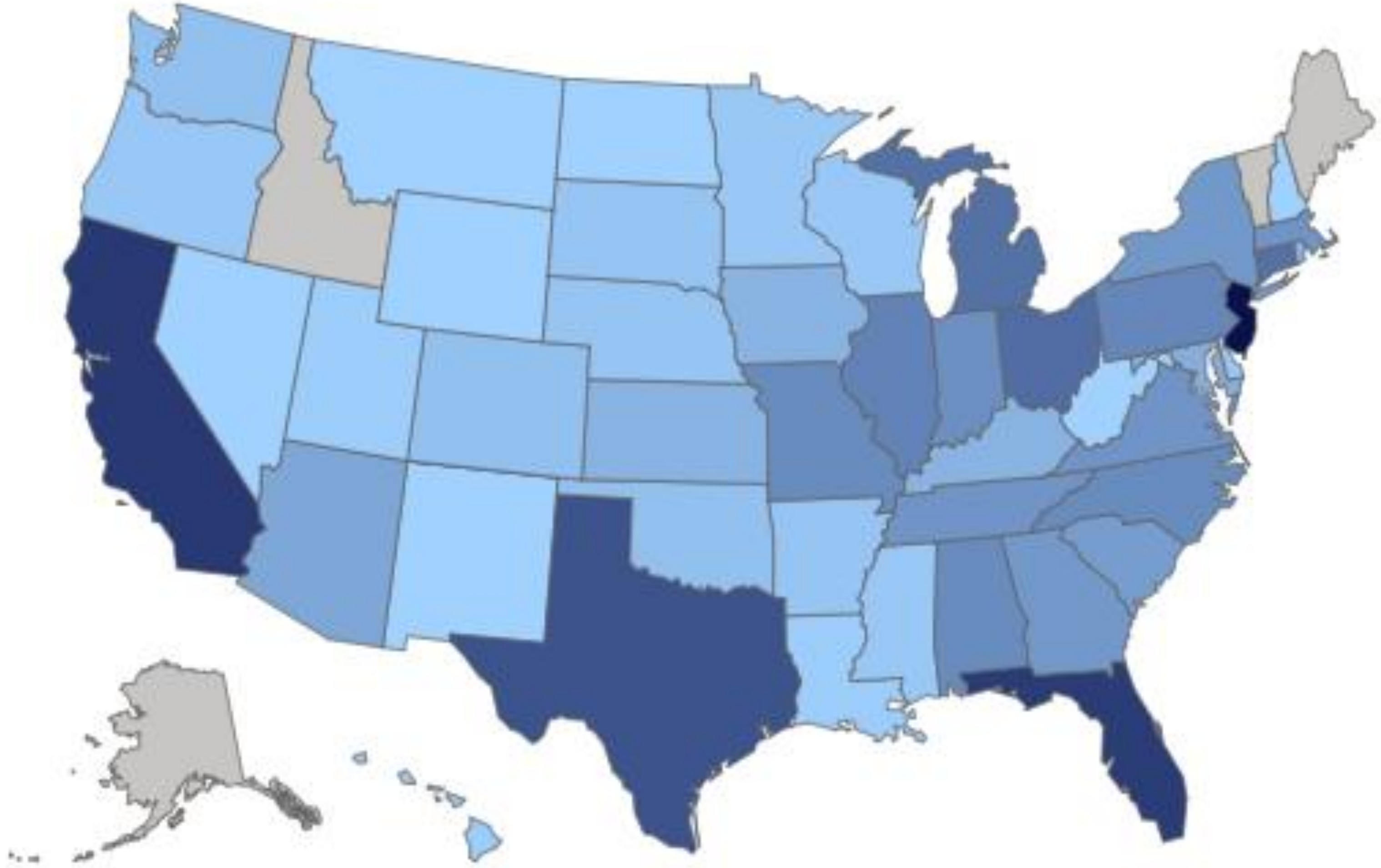
Small Area Fair Market Rents Adoption



Metro HRA is a Voluntary Opt-In agency

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.



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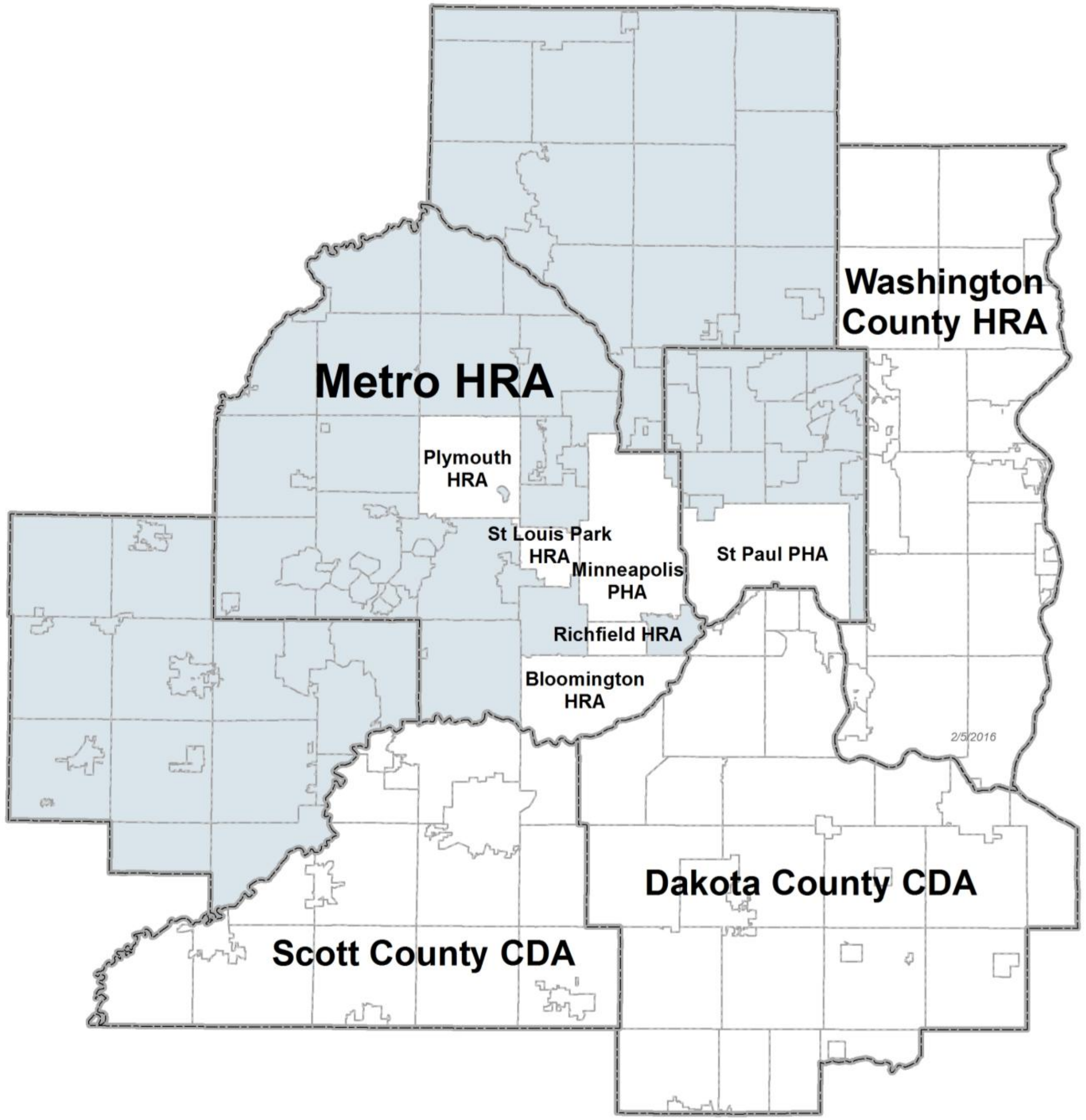
Metro HRA Service Area



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	12	7

SAFMR changes range from a 11% decrease to a 13% increase

- Most zip codes 0%-2% change
- 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 7,303 vouchers
- $94 million in federal revenue

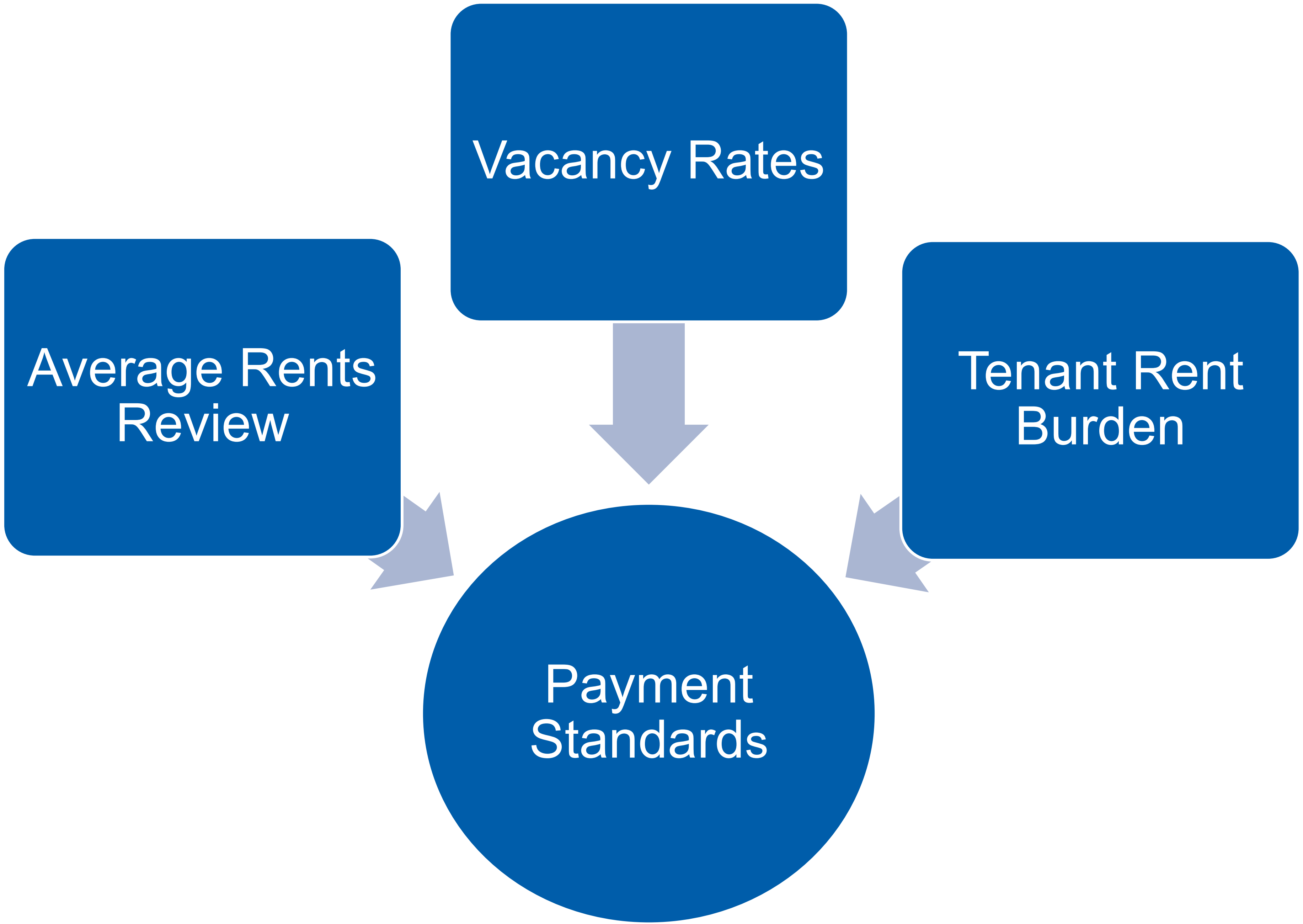
Higher Rent Limits

- 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

Small Area Fair Market Rent Analysis

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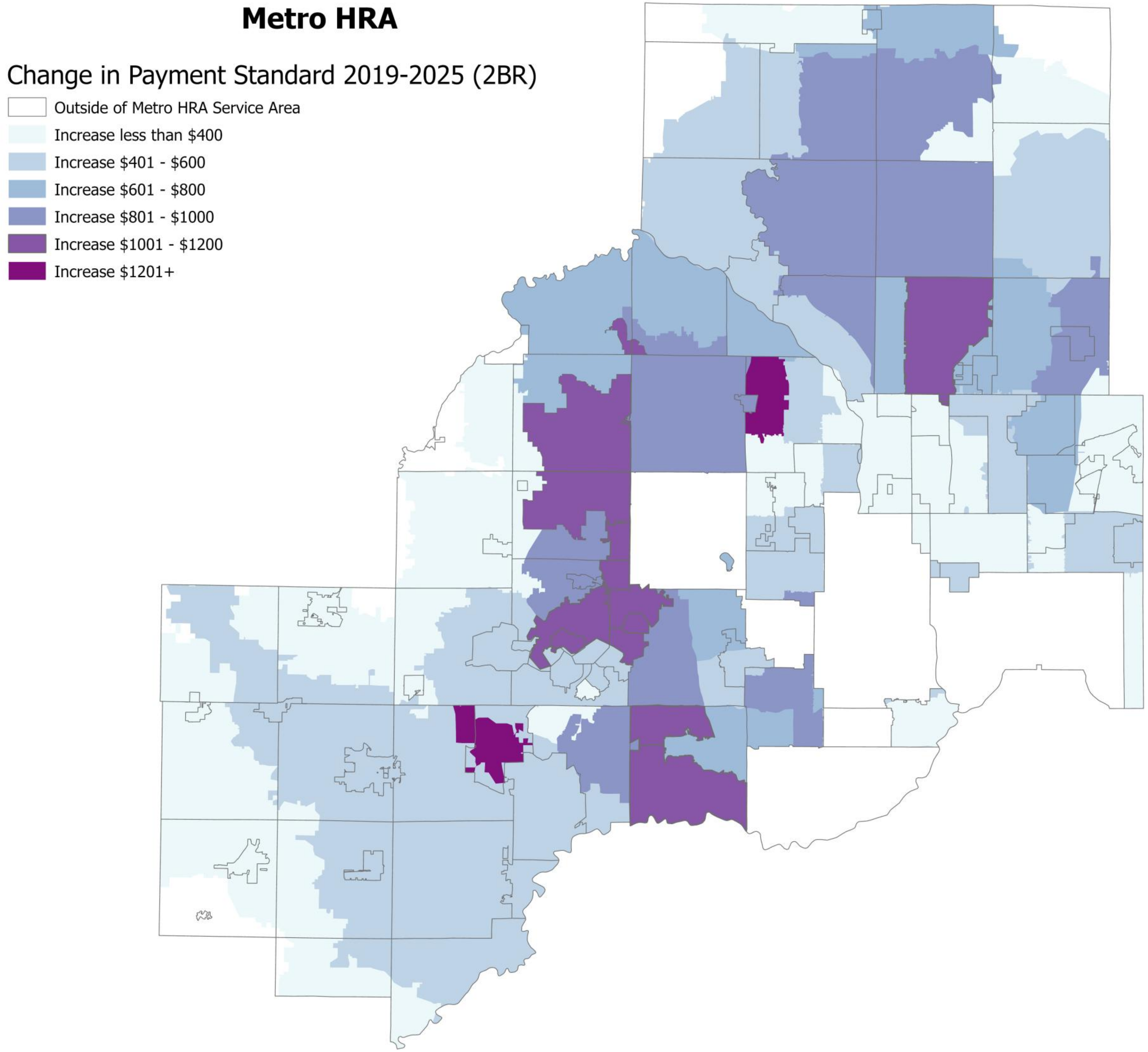

Change in Payment Standard 2019-2025 (2BR)
Outside of Metro HRA Service Area
Increase less than $400
Increase $401 - $600
Increase $601 - $800
Increase $801 - $1000
Increase $1001 - $1200
Increase $1201+

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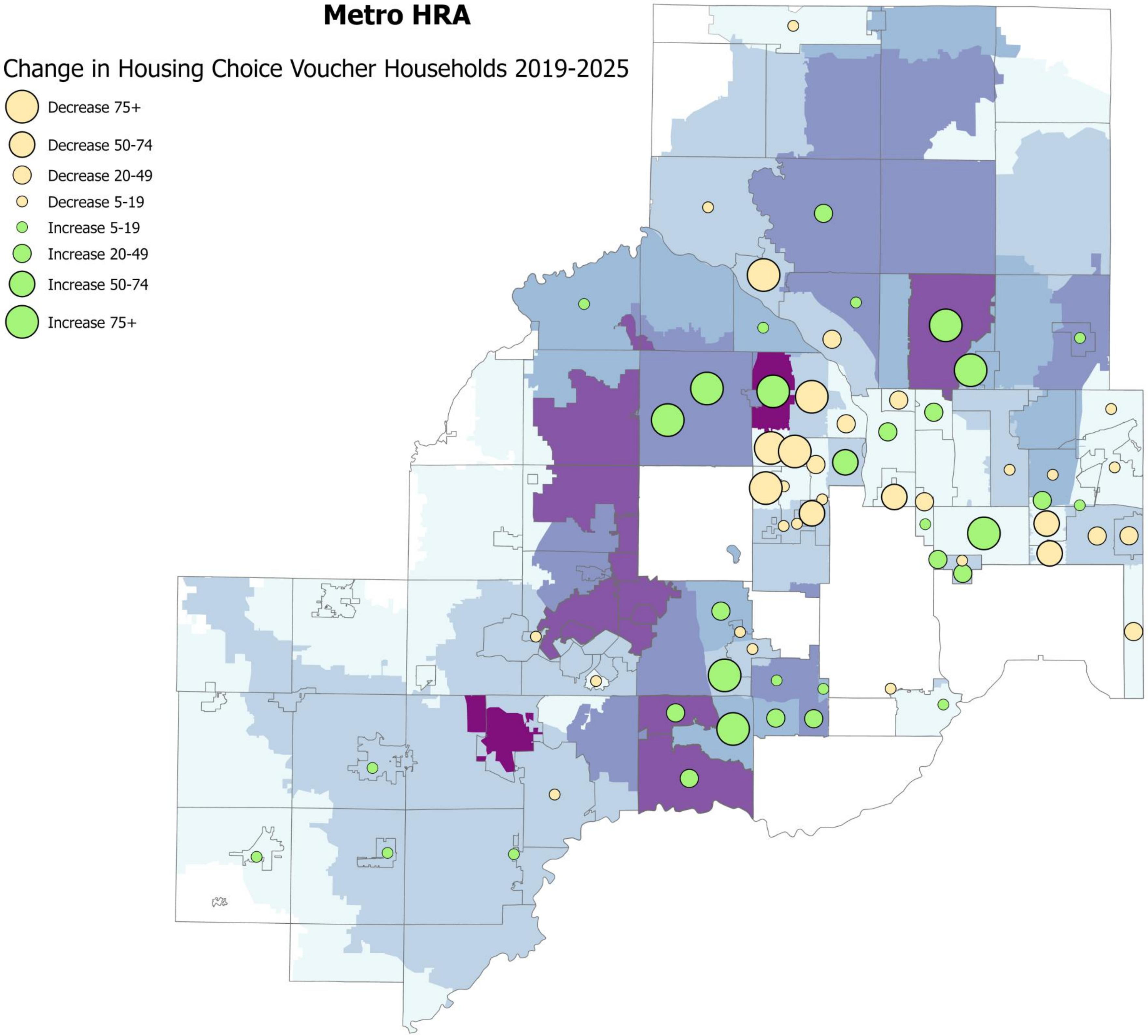
Change in Housing Choice Voucher Households 2019-2025



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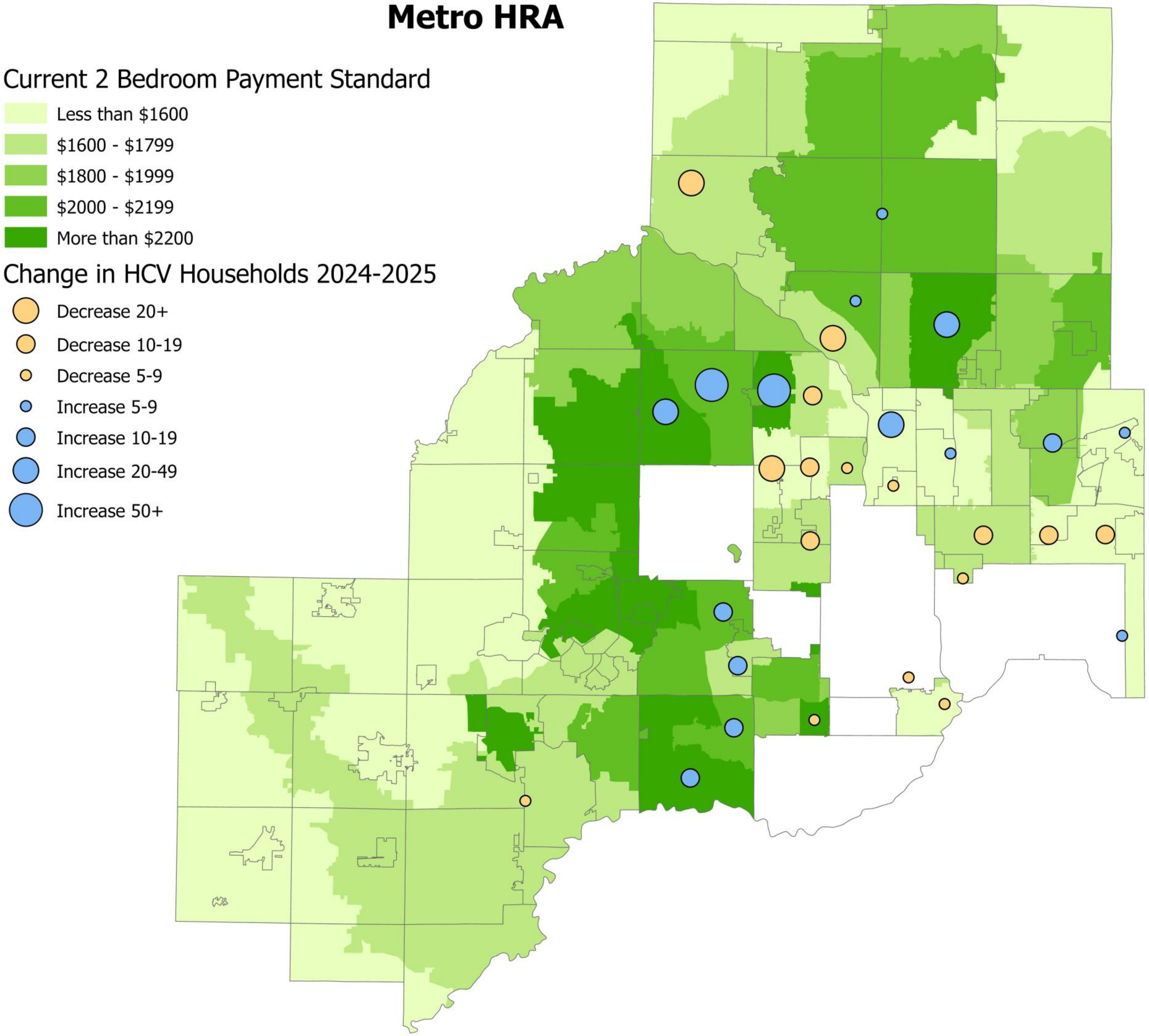

Current 2 Bedroom Payment Standard
Less than $1600
$1600 - $1799
$1800 - $1999
$2000 - $2199
More than $2200
Change in HCV Households 2024-2025
Decrease 20+
Decrease 10-19
Decrease 5-9
Increase 5-9
Increase 10-19
Increase 20-49
Increase 50+

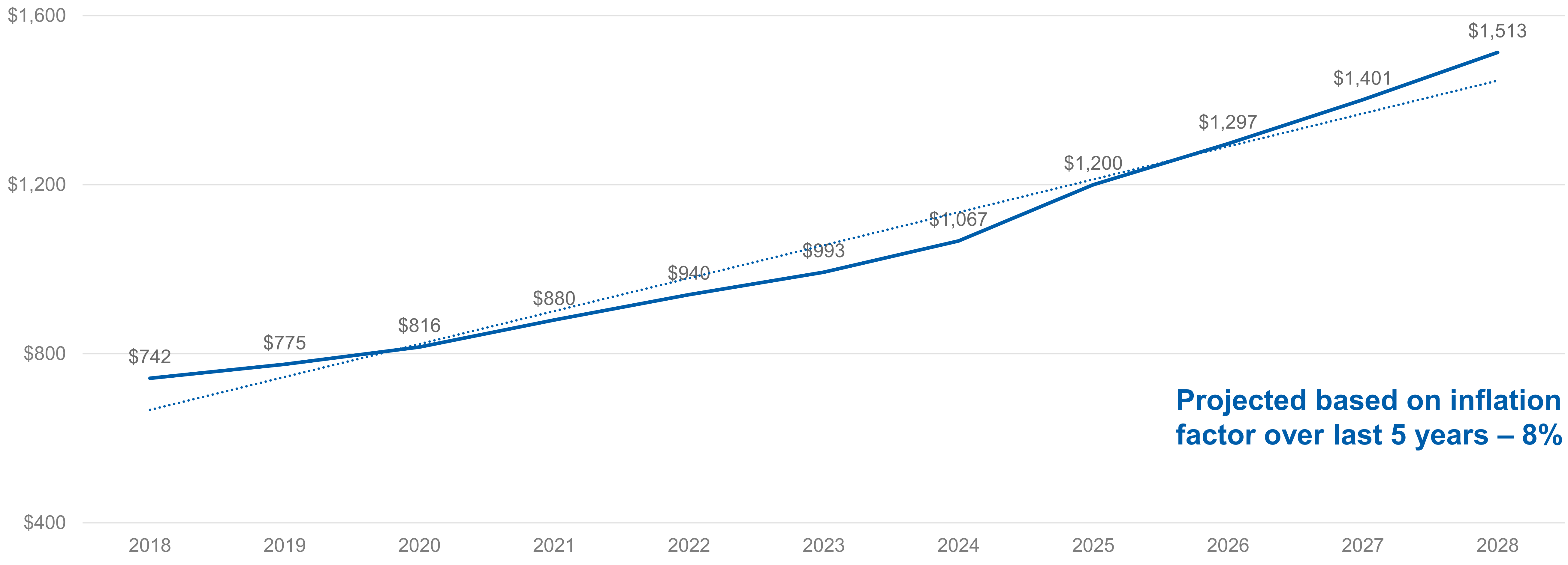
Payment Standard Change 2019-2025

Change in Payment Standard (2BR Amounts)	Change in Assisted Households*
Less than $400	-465
$400-599	-122
$600-799	276
$800-999	380
$1000-1199	219
$1200+	141

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

Average Per-Family Subsidy Cost

Steady increase in rents over time



Federal Budget Scenarios

FY25 Enacted

- $36,048 Billion
- 2.4 million households served

FY26 House Bill

- $35,268 Billion
- 181,900 fewer households served
- 8% Reduction

FY26 Senate Bill

- $37,354 Billion
- 107,800 fewer households served
- 5% reduction

Budget and Subsidy Scenarios

Projected 2025 Subsidy Budget = $94 million

Number of Vouchers = 7,303

Average Subsidy	Total Annual Subsidy Projection	Shortfall?	Number of Families Served	Reduction in Families	% Families Served
$1,200	$105,163,200	-$11,163,200	6528	-775	89%
$1,225	$107,354,100	-$13,354,100	6395	-908	88%
$1,250	$109,500,000	-$15,545,000	6267	-1036	86%

Success Rates

% Housing Choice Voucher Holders that use their Voucher

(voucher holders coming off waiting)

Year	Success Rate
2017	66%
2018	63%
2019	64%
2020	N/A
2021	58%
2022	65%
2023	60%
2024	63%

- <u>Reasons Vouchers Not Used:</u>

- Could not find a unit to use voucher
- Found other housing
- Circumstances changed
- Moved 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
- And reduce all payment standards above 100% to 100%

Option 1 – Required Changes Only

Increase vs. Decreases

- 1 zip codes increase
- 6 zip codes decrease
- 72 zip codes remain same

Cost to Tenant

- Current Rent burden = 33%
- Future Rent burden = 28%
- 25 tenants impacted and whose rent will increase.
- Households held harmless – increase in rent not implemented for 2 years

Cost to HRA

- $275,000
- Reduction in service potential – 20 households

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Option 2 – Adjust all zip codes to 100%

Increase vs. Decreases

- 57 zip codes increase
- 22 zip codes decrease
- 0 zip codes remain the same

Tenant Impact

- Current Rent burden = 33%
- Future Rent burden = 27%
- 1,040 tenant's rent will increase
- Households held harmless – increase in rent not implemented to 2 years.

Implementation Cost

- $785,000 – cost to HRA
- Reduction in service potential - 54 households

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Option 3 - Mandatory Changes and reduce all above 100% to 100%

Increase vs. Decreases

- 2 zip codes increase
- 22 zip codes decrease
- 55 zip codes remain same

Tenant Impact

- Current Rent burden = 38%
- Future Rent burden = 28%
- 900 tenant's rent will increase
- Households held harmless - increase in rent not implemented for 2 years.

Implementation Cost

- $260,000 – Cost to HRA
- Reduction in service potential - 18 households

Payment Standard Considerations

Things to think about

- Flat funding in 2025 reduced program size by 400 households.
    - Flat funding = acts like a reduction due to increased rents
- 2026 federal budget is very uncertain
- Average rents seem to fall in line with current payment standards
- HUD guideline suggests that no more than 40% of voucher holders are rent-burdened
    - All options meet this guideline

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 1 zip codes
- Decrease 6 zip codes, impacting 25 households
- $275,000
- Potential service reduction – 20 households

Option 2

- Adjust all to 100% of new Small Area Fair Market Rents
- Increase 57 zip codes
- Decrease 22 zip codes, impacting 1,040 households
- $785,000
- Potential service reduction – 54 households

Option 3

- Make required changes
- Reduce all zip codes above 100% to 100%
- Increase 2 zip codes
- Decrease 22 zip codes, impacting 900 households
- $260,000
- Potential service reduction – 18 households

Next Steps

Upcoming Dates

- October 20: CDC Information Item
- November 3: CDC Action
- November 12: Council Action
- Quarter 1 2026: Implement new Payment Standards

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Thank You

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