

# Committee Report

Community Development Committee



**Committee Meeting Date:** November 7, 2022

**For the Metropolitan Council:** November 30, 2022

## Business Item: 2022-288

Adoption of Payment Standards for Metro HRA Rent Assistance Programs.

### Proposed Action

That the Metropolitan Council adopt payment standards as shown in Table 1 for the Housing Choice Voucher and other rent assistance programs effective January 1, 2023.

### Summary of Community Development Committee Discussion/Questions

There was some general discussion in support of the recommended action, including the following question:

- How much time do we provide for voucher holders to find a place to live?
  - The Metro HRA issues vouchers for 120 days. Voucher holders can be eligible a 60-day extension for disability related reasons.
  - Average time to place a voucher is 55 days

The proposed action was passed unanimously at the Committee's regularly scheduled meeting on November 7, 2022.



# Business Item

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## Business Item: 2022-288

Adoption of Payment Standards for Metro HRA Rent Assistance Programs

<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	24 CFR Part 982
<b>Staff Prepared/Presented:</b>	Terri Smith, Director, Housing and Redevelopment Authority, (651) 602-1187
<b>Division/Department:</b>	Community Development / HRA

### Proposed Action

That the Metropolitan Council adopt payment standards as shown in Table 1 for the Housing Choice Voucher and other rent assistance programs effective January 1, 2023.

### Background

The Metropolitan Council must annually review and adopt Payment Standards (rent limits) to be used in the administration of the Housing Choice Voucher and other rent assistance programs. Payment standards should be set at limits to ensure voucher holders can be successful in placing their voucher in a community of their choice.

The Council adopted Small Area Fair Market Rents (SAFMRs) in 2020. SAFMRs are rent limits adopted at the zip code level instead of for an entire metropolitan area. This allows for higher rent limits in higher rent areas and lower rent limits in lower rent areas of the region. The goal of SAFMRs is to improve housing choice, increase voucher placement success, and provide for budget neutral potential in future years.

HUD issued new SAFMRs in September 2022. By federal regulation, the Metropolitan Council is provided the flexibility to establish payment standards between 90% and 110% of the published SAFMRs. Metro HRA's primary service area includes all of Anoka and Carver Counties and Suburban Hennepin and Ramsey Counties, excluding the cities of Minneapolis, St. Paul, Bloomington, Plymouth, Richfield and St. Louis Park. This includes 89 zip codes. The Metro HRA operates one small rent assistance program throughout the entire Metro Area. As a result, the proposed action includes payment standards for 178 zip codes.

Staff presented an information item at the [October 17, 2022 Community Development Committee Meeting](#) to share rental market data, discuss the factors influencing payments standards, and gather feedback from Committee members. Staff shared:

- The adoption of SAFMRs has increased the number of rental units that fall with the payment standards resulting in increased choice.
- Rents continue to rise faster than inflation and vacancy rates remain very low for class C rental properties
  - Class A property – luxury apartments. Generally newer or substantially renovated, high end amenities, high quality construction and materials.

- Class B: exterior and interior amenities are less than what is offered in Class A and is more dated, good quality construction with little deferred maintenance.
- Class C: limited amenities, dated exterior and interior, improvements show some age and deferred maintenance, older, original or dated appliances.
- Rent burden of current program participants = 60% of voucher holders are paying more than 30% of income towards rent. The industry guide is not more than 40%.

Staff shared three options with the CDC members as described in the table below:

Option 1	Option 2	Option 3
Minimal changes to bring payment standards into required range	Adjust most zip codes to 95% of SAFMR plus additional increases due to local market knowledge	Adjust all zip codes to 100% of the new SAFMRs
● Increases in 79 zip codes	● Increases in 111 zip codes	● Increases in 117 zip codes
● Decreases in 0 zip codes	● Decreases in 0 zip codes	● Decreases in 0 zip codes
● Future rent burden 48%	● Future rent burden 39%	● Future rent burden 20%
● Costs \$1.9 Million to implement or reduction in service up to 160 households	● Costs \$3.6 Million to implement or reduction in service up to 315 households	● Costs \$5.1 Million to implement or reduction in service up to 450 households

The financial impact figures included in the above table are worst case scenario. Costs assume all voucher holders remain in the same units with the same rents and the federal funding remains the same from 2022 to 2023. These are all assumptions that HRA staff understand will not be the reality but are based on the data available today. HRA staff will continue to monitor funding closely to determine if allocated federal funding will be enough to serve all potential families and issue all vouchers.

Staff recommended option 3 for the following reasons:

- Allows a re-benchmarking
- Only minor changes have occurred since 2020
- Brings rent burden into goal range
- Will increase housing choice for voucher holders
- Will increase success rates

CDC members vocalized support for Option 3. The recommended payment standards in Table 2 are reflective of Option 3.

### Rationale

The federal regulations require adjustments to at least 79 zip codes to bring payment standards in line with the required range. Increasing payment standards overall to 100% of the SAFMR will bring payment standards more in line with average rents and provide more locational choice for voucher holders. Establishing payment standards at 100% of SAFMR removes unintentional consequences of preventing new developers from exploring historically disinvested communities because prior payment standards were too low.

Metro HRA met with the Resident Advisory Board on July 14, 2022, to engage on resident success related to housing search and voucher placement. Conversation themes make it clear voucher



holders are facing challenges finding units within the current payment standards, further supporting the need for increases.

### **Thrive Lens Analysis**

The recommended action supports the Thrive outcomes of equity, livability, and stewardship.

Thrive 2040 states the Council will:

- 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.

### **Funding**

Funding for the Housing Choice Voucher and Housing Opportunities for People with AIDS programs is provided by the U.S. Department of Housing and Urban Development. Funding for the Minnesota Housing Trust Fund Programs is provided by Minnesota Housing Finance Agency.

