

C Community Development Committee

Meeting date: September 17, 2007

ADVISORY INFORMATION	
Date:	September 6, 2007
Subject:	Adoption of Payment Standards for the Section 8 Housing Choice Voucher Program
District(s), Member(s):	All
Policy/Legal Reference:	Code of Federal Regulations, Title 24, Section 982
Staff Prepared/Presented:	Beth Reetz, Manager, HRA Programs, 602-1278
Division/Department:	Community Development / HRA

Proposed Action/Motion

That the Metropolitan Council adopt amounts, listed below, as Payment Standards for the Federal Section 8 Housing Choice Voucher Rent Assistance Program effective October 1, 2007.

Issues

Should the Metropolitan Council adopt the amounts listed below as payment standards for the Section 8 Housing Choice Voucher Program?

Overview and Funding

The Metropolitan Council annually reviews and adopts Payment Standards to be used in the administration of the Section 8 Housing Choice Voucher Program. The payment standards are used to calculate the maximum monthly subsidy for an assisted family. Payment Standards must be set at amounts that assure a sufficient supply of rental housing is available to program participants. To accomplish this objective, payment standards should be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible with limited funding.

Payment standards are limited by Fair Market Rent (FMR) limits published annually by HUD for each metropolitan areas and/or county. By federal regulation, the Metropolitan Council is authorized to establish Payment Standards at amounts not less than 90% and not more than 110% of the published FMRs without HUD approval.

The level at which HUD sets FMRs is expressed as a percentile point within the rent distribution of all standard-quality rental housing units occupied by renter households who moved to their present residence within the past 15 months. (Public housing units and units less than 2 years old are excluded.) During the 30-year history of the program, HUD has shifted the percentile point within the rent distribution of units for the Minneapolis St Paul Metropolitan area between the 40th, 45th and 50th percentile. Currently, HUD has established the FMRs for this metro area at the 40th percentile.

New FMRs are published annually effective October 1, 2007. The proposed FMRs for Federal Fiscal Year 2008 have gone down slightly. To ensure the Payment Standards adopted by the Metropolitan Council are within the established ranges, slight reductions are necessary. The following Payment Standards by bedroom size are recommended:

	Recommended	Current	Change	Previous	New	% of	# of	% of
	Payment Standards	Payment Standards		FMR	FMR	FMR	Families	Families
0 BR	\$600	\$ 586	+\$14	\$ 600	\$ 593	110%	0	0%
1 BR	\$768	\$ 729	+\$39	\$ 707	\$ 699	110%	2190	36%
2 BR	\$932	\$ 933	-\$1	\$ 858	\$ 848	110%	2071	34%
3 BR	\$1221	\$ 1,230	-\$9	\$ 1,123	\$ 1,110	110%	1373	23%
4 BR	\$1371	\$ 1,383	-\$12	\$ 1,262	\$ 1,247	110%	346	6%
5 BR	\$1577	\$ 1,590	-\$13	\$ 1,451	\$ 1,434	110%	72	1%
6 BR	\$1783	\$ 1,798	-\$15	\$ 1,640	\$ 1,621	110%	11	0%

The recommended Payment Standards represent a slight increase for 0 and 1 bedroom units and slight decreases for 2, 3, 4, 5, and 6 bedroom units. The recommended standards all reflect the maximum allowable range increase (110%) applied to the FMRs. This is necessary to ensure a sufficient supply of rental housing is available to program participants so they may successfully utilize their Section 8 Voucher. Average rents increased 2.4% in 2006 and have increased 2.7% through second quarter 2007. Second quarter 2007 average vacancy rates in the metro area fell to 3.9%, down from 4.8% second quarter 2006, according to information from GVA Marquette Advisors. Vacancy rates of 5% reflect a balanced or healthy market. Continued measure on the rental housing market is expected with continued slack in demand for home purchases and increases in foreclosures.

The recommended payment standards are low enough to enable the Metropolitan Council to continue to assist the maximum allowable number of households with existing funding levels and high enough to provide a sufficient supply of rental housing to program participants to assure continued program success. Staff recommends the Metropolitan Council adopt the payment standards for the Section 8 Housing Choice Voucher Program.