



Metro HRA

Section 8 Housing Choice Voucher Program 2013 Funding Discussion

December 17, 2012



Housing Choice Voucher Program

- Administered by Metropolitan Council Housing and Redevelopment Authority (Metro HRA)
- Funding provided through HUD
- Annual congressional appropriations
- Two funding sources:
 - Housing Assistance Payments
 - Administrative Fees



Background

- Baseline allocation of 6,189 vouchers
- HUD allows housing authorities to serve as many families as possible up to the baseline
- Historically able to serve full baseline
- Currently not able to serve full baseline
- Why?



Considerations

- Participants pay 30% of income towards housing
- Housing authority pays remainder directly to landlord (Subsidy)
- Average subsidy payments have increased
 - 2009 - \$611
 - 2010 - \$638
 - 2011 - \$652
 - 2012 - \$661
 - 2013 Projected - \$670



Why Subsidy Increase?

- Higher Participant Income = Higher tenant rent portion and lower subsidy payment
- Lower Participant Income = Lower tenant rent portion and higher subsidy payment
 - Result of economy
- Increasing Rents
 - Lowest vacancy rate in 10 years
 - Low vacancy = increased rents



Why Subsidy Increase?

- Increased Rent Limits
 - Based on Fair Market Rents
 - Allows participants full choice of neighborhoods
- Increased Utility Allowance
 - Credit for tenant-paid utilities
 - Reviewed and Updated Annually
- Serving more larger sized families
 - Larger family = larger unit = higher rent



Financial Impact

- Annual Budget Authority \$48.7 Million
- 2011 Average Subsidy = \$652
 - $\$652 \times 6,189 \text{ families} \times 12 \text{ months} = \48.4 Million
- 2012 Average Subsidy = \$661
 - $\$661 \times 6,189 \text{ families} \times 12 \text{ months} = \49 Million
- 2013 Projected Average Subsidy = \$670
 - $\$670 \times 6,189 \text{ families} \times 12 \text{ months} = \49.7 Million
 - Serve all families = \$1 Million more than budget

Options

1. Serve fewer families in 2013
 - 125 fewer families each month
 - Accomplished through attrition
2. Use other funds to cover the \$1 Million
 - HRA Reserves
 - Current HRA Reserve Balance = \$6 Million
 - Council Target Fund Balance = \$4.5 Million
 - Average Growth = 6% annually

Considerations of Option 1

- Serving 125 less families
- Future year funding dependent of current year spending
 - Spend less \$\$ in 2013 = Get less \$\$ in 2014
- Permanently reduces program size and funding
- Increased wait time for applicants
- Leaves reserves in place

Considerations of Option 2

- Is this an eligible use of Reserves? Yes
- Temporary Solution
- Spending local \$\$ for federal program
- Reduces Reserves
- Continuing service to 125 very low income families



Assumptions

- Funding level same as 2012
- No sequestration or fiscal cliff
 - Service to 500 less families per month
- Projections on average subsidy accurate

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