



# Community Development Committee

**Business Item**

Item: 2008-233

Meeting date: **October 6, 2008**

ADVISORY INFORMATION	
<b>Date:</b>	September 25, 2008
<b>Subject:</b>	Adoption of Payment Standards for the Section 8 Housing Choice Voucher Program
<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	Code of Federal Regulations, Title 24, Section 982
<b>Staff Prepared/Presented:</b>	Beth Reetz, Manager, HRA Programs, 602-1278
<b>Division/Department:</b>	Community Development / HRA

## Proposed Action

That the Metropolitan Council adopt amounts, listed below, as Payment Standards for the Federal Section 8 Housing Choice Voucher Rent Assistance Program effective November 1, 2008

## Background

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 each 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 must be both high enough to permit choice of unit types and location and low enough to serve as many households as possible with limited funding.

Payment standards are limited by the Fair Market Rent (FMR) limits published annually by HUD for each metropolitan area 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.

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 40<sup>th</sup>, 45<sup>th</sup> and 50<sup>th</sup> percentile. Currently, the FMRs for this metro area are based on the 40<sup>th</sup> percentile of the rental market.

## Rationale

New FMRs are published annually effective October 1st. The proposed FMRs for Federal Fiscal Year 2009 have increased 3% for each bedroom size which mirrors the findings by the local market advisor GVA Marquette which documents a 3% increase overall in the past 12 months.

The recommended Payment Standards also reflect a 3% increase for all bedroom sizes. The recommended standards provide 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 in all communities served by the Metro HRA. Sufficient payment standards help ensure voucher holders may successfully utilize their Section 8 Voucher and also help ensure participant portions are between 30 to 40% of their adjusted monthly income .

Second quarter 2008 average vacancy rates in the metro area fell to 3.7%, down from 3.9% a year ago, according to information from GVA Marquette Advisors. Vacancy rates of 5% reflect a balanced or healthy market. Continued pressure on the rental housing market is expected with the reduction in demand for home purchases and increases in foreclosures.

	Recommended	Current	%	\$
	Payment Standards	Payment Standards	Of Change	Of Change
0 BR	\$ 671	\$ 600	11.8	\$ +61
1 BR	\$ 790	\$ 768	2.9	\$ +22
2 BR	\$ 960	\$ 932	2.9	\$ +28
3 BR	\$ 1257	\$ 1221	3.0	\$ +36
4 BR	\$ 1412	\$ 1371	3.0	\$ +41
5 BR	\$ 1624	\$ 1577	3.0	\$ +47

\* Zero bedroom standard increased this year to reflect same percent of FMR as all other bedroom sizes.

### **Funding**

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.

### **Known Support / Opposition**

There is no known opposition to this action.