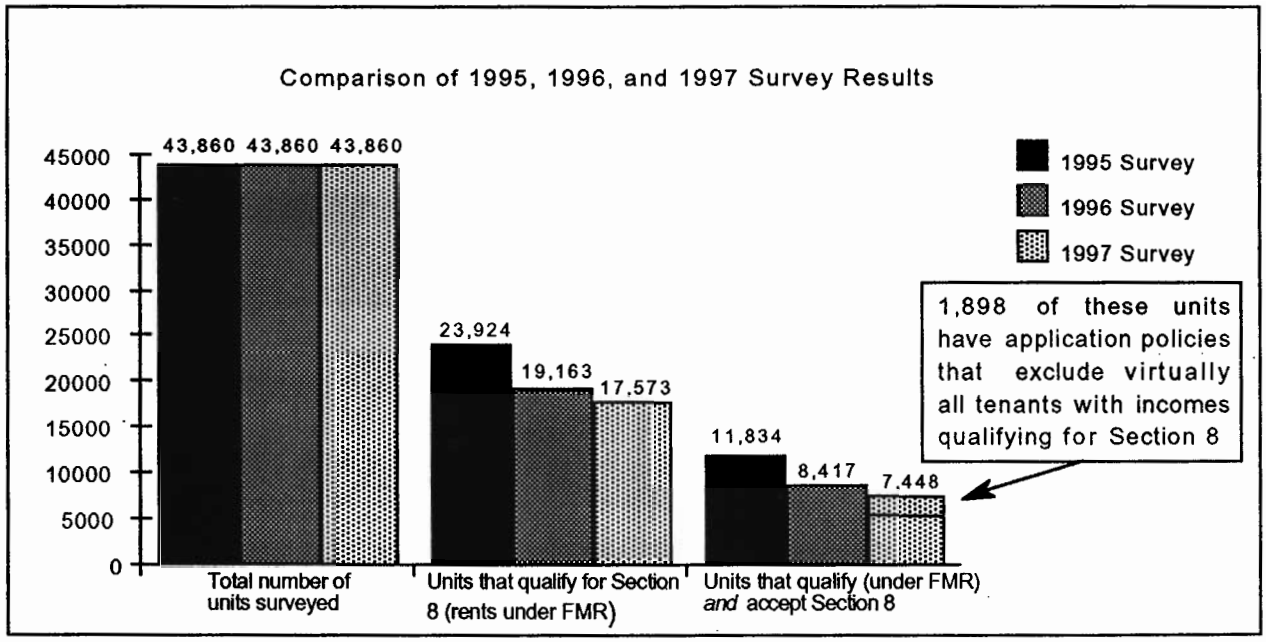
DIMINISHED CHOICES 3:

THE EVER SHRINKING MARKET FOR SECTION 8 IN SUBURBAN HENNEPIN COUNTY



Landlords' acceptance of Section 8 tenants continues to decline

Please note the bars on the right-hand side of the graph. The percentage of units surveyed that both qualify for Section 8 (rents below the Fair Market Rent) and accept Section 8 has dropped from an already low 27% in 1995 to a disturbing 17% in 1997 . In other words, a home seeker with Section 8 would have a chance at getting an apartment in less than one in five of the units we surveyed in Suburban Hennepin.

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This report was prepared by volunteers and staff of HOME Line, a program of Community Action for Suburban Hennepin (CASH). Beth Kodluboy, HOME Line's lead tenant organizer, provided overall coordination of the project. The research portion of this effort was organized by JT Haines, a VISTA volunteer assigned to HOME Line, and carried out by JT, Mary Hurkman, tenant organizer at HOME Line, and community volunteers Sara Jane Leaman and Karla Weigold. The text was co-written by JT and Charlie Warner, CASH's Housing Programs Director.

Community Action for Suburban Hennepin (CASH), as the designated "anti-poverty agency" for suburban Hennepin County, advocates for and provides services to low-income people throughout suburban Hennepin County from its offices in Hopkins. It is a private, nonprofit, tax-exempt community action agency that has been in business since 1985. CASH operates emergency assistance, community education, energy assistance homelessness prevention, homeownership counseling, foreclosure prevention, home maintenance and rehab, and tenant advocacy and organizing programs. All of CASH's housing programs operate under the name HOME Line; HOME Line's tenant advocacy program, principally through its hotline, serves approximately 7,000 renter households each year.

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SUMMARY

In the summer of 1997, Community Action for Suburban Hennepin (CASH) conducted its third annual survey of suburban Hennepin County property owners regarding their participation in the Section 8 rental subsidy program. This survey continues to be conducted in response to a number of calls from tenants to HOME Line, CASH's tenant hotline, complaining that they were unable to find housing where they could use their Section 8 subsidy.

The recent announcements by owners of a number of buildings that they intend to end their participation in federal housing programs, including project-based Section 8, makes this survey all the more relevant. The hundreds of tenants in these buildings--senior citizens, disabled people, recent non-English speaking immigrants, families with children--will be given vouchers. As this report shows, they will have an extremely difficult time finding another home.

As in 1995 and 1996, the results are not promising for low income renters. Even fewer units than last year both qualify for the Section 8 program and are willing to accept renters with a Section 8 subsidy. The decline in the number of units in both categories from year to year is steady and significant.

An additional finding has been incorporated into this year's survey illustrating yet another obstacle for low income renters. Of the rental properties that have rents below the Fair Market Rent (FMR) and choose to accept Section 8 subsidies, many require tenants to meet minimum income requirements. We have found that some of these income requirements all but exclude Section 8 renters from units in these buildings.

This year's results show:

- Close to 400 apartment complexes with a total of 43,860 rental units were surveyed.
- Less than 17% of the surveyed units met the rent requirements of the Section 8 program *and* accepted Section 8 renters. (compared to 20% in 1996 and 27% in 1995)
- More than 26,000 of the survey units (60%) disqualify for the Section 8 program because the rents are higher than the Fair Market Rent (FMR) set by HUD. (up from 56% in 1996)
- Of the units that have qualifying rents (17,573), only 7,448 accept Section 8. (This is 969 fewer "qualifying and accepting" units than in our 1996 survey of the same apartment complexes, and 4,386 fewer units than in 1995.)
- 989 of the qualifying and accepting units only accept tenants with Section 8 vouchers (vs. certificates), even though about two thirds of Section 8 subsidies are certificates.
- Of the 7,448 qualifying and accepting units, 3,622 (or 49%) have indicated that they have some sort of minimum monthly income requirements to be eligible for occupancy. Of these, 1,898 units are in properties that have income requirements that effectively exclude almost all Section 8 renters.

Our results certainly bring into question a continued reliance on the private market to provide low-income people with affordable housing options. Even with changes to the program that make it easier for landlords to participate, the survey shows a continuing shrinkage of Section 8 rental housing. This survey has shown, once again, that the prospects for area Section 8 certificate or voucher holders are less than encouraging, and appear to be getting worse.

INTRODUCTION

Families need safe, decent, and affordable housing in order to survive and thrive. The federal government has long recognized this truth. Since 1974, when it was authorized by Congress, the Section 8 program has been the mainstay of government-assisted housing in the United States. The Section 8 program provides subsidies to private landlords on behalf of low- and moderate-income families and individuals. One of the basic tenets of the Section 8 program is that it offers increased locational choice for participating households. Our three years of research suggests otherwise: that options for Section 8 homeseekers has actually decreased during the time period of our surveys.

In recent years, the Administration and Congress have been making substantial changes to the nation's housing policies and to the Section 8 program. These changes appear to be based on the assumption that "tenant based" Section 8 certificates and vouchers (see, the appendix "About Section 8" at the end of *this report for an explanation of the various* aspects of the Section 8 program) are *the* way to deliver housing assistance to lower income households. The argument goes that tenant-based Section 8 allows homeseekers freedom of choice to live anywhere they like and avoids "concentrations of poverty" associated with public housing projects. If this were a perfect world, perhaps these arguments would hold up; however, as our survey demonstrates, we in the Twin Cities metro area are experiencing the tightest housing market in decades, a real world place where tenant based Section 8 doesn't perform.

Tom McElveen, of the Metropolitan Housing and Redevelopment Authority, testified to the Housing Committee of the Minnesota House of Representatives that as of July 31, 1997, the HRA has approximately 400 outstanding Section 8 certificates that renters have been unable to use. In other words, 400 households who were lucky enough to obtain Section 8 certificates from the Metro HRA were unable to find rental housing where they would be able to use the subsidy. It was indicators such as these, as well as an increasing number of calls to HOME Line advocates and other similar organizations that inspired the first annual survey of this kind three years ago. Since that time, we have conducted a phone survey annually to assess the level of Section 8 acceptance among suburban Hennepin County owners and managers.

Unfortunately for renters, our surveys--which reach nearly two thirds of the rental units in suburban Hennepin County--have produced data that is consistent with the HRA's large number of unused certificates. Landlords are increasingly reluctant to accept Section 8 tenants. The percentage of units surveyed that both qualify for the Section 8 program (with rents below the Fair Market Rent) and are willing to accept Section 8 subsidies has dropped from an already low 27% of total units surveyed in 1995 to 20% in 1996 and a mere 17% in 1997. This drop is taking place as the overall vacancy rate for the area continues to be extremely low, compounding the problem. The Minneapolis Star Tribune reports a 1.9% vacancy rate for June of 1997.

An additional finding has been included in this year's survey -- 49% of the few units that accept Section 8 are in buildings that impose income requirements on the tenants. This survey shows that many of these income requirements effectively exclude Section 8 renters entirely, leaving even fewer units available to renters attempting to participate in the Section 8 program.

WHAT THE 1997 SURVEY SHOWS

Declining Acceptance

Of the 43,860 units surveyed in 1995, 1996, and 1997, more than 26,000 units (60%) are eliminated because the rents are higher than the Fair Market Rent (FMR), the qualifying rent for the Section 8 program. This percentage was only 56% in our 1996 survey, and 40% in the 1995 survey. Of the 17,573 units that qualify in 1997 for Section 8, only 7,448 accept section 8. This is less than half (42%) of the rent-eligible units and less than one-fifth (17%) of all units surveyed. Last year's results were 44% and 19% respectively. For 1995 the figures were 46% and 27% respectively.

These results show a drop of 4,386 "qualifying and accepting" units since 1995, at which time 11,923 qualifying and accepting units existed. It should be noted that this is a very small revision of the number of units detailed in our 1995 and 1996 surveys because it includes only those complexes that we were able to reach in all three years. We contacted owners or managers of 43,987 units in 1995 and 1996. We were able to contact 43,860 of these units, or 99.7%, in 1997.

The decrease in "qualifying and accepting" units is due both to units no longer qualifying for the Section 8 rents and because fewer owners are willing to rent to Section 8 renters. The situation is not all negative. There are a number of new landlords who are new participants in the Section 8 program each year. At the same time, however, a much larger number of landlords have been dropping out of the program. The result, again, has been a net loss of 4,386 "qualifying and accepting" units since 1995.

Vouchers Only

In the 1997 survey, seven complexes had rents within the FMR but reported that they only accept tenants with vouchers (see the appendix "About Section 8" for an explanation of these terms). There are a total of 989 units in these developments; they represent 13% of all Section 8-accepting units. Most (about two-thirds in the Twin Cities and three-fourths overall) of all tenant-based subsidies are certificates, so these voucher-only units are not available to the majority of Section 8 tenants, further restricting their choices of places to live.

Income Requirements

Almost half (49%) of the units with rents at or below the FMR and that report willingness to accept Section 8 have minimum income policies for applicants that have the practical effect of excluding low income tenants. Of the 7,448 below-FMR units in 1997 that claim to accept Section 8 tenants, 3,622 have minimum income requirements. The policies vary among complexes, and a few would not seem to exclude Section 8 renters; however, a majority of these complexes have income policies that would exclude most or all of Section 8 renters.

Of the 3,622 units with income requirements, 1,426 have indicated that the income requirement must be at least three times the monthly rent (one complex even asks for four times the monthly rent), and have indicated that the Section 8 subsidy will not be considered income. Another 472 units have income policies that require residents to have incomes that are at least three times the rent, but have indicated that the Section 8 subsidy will be included as income. Even including the subsidy, this policy is still exclusionary for most Section 8 renters.

Now, a full 1,898 (or 25%) of the 7,448 "qualifying and accepting" units have policies that appear to exclude the very renters they claim to accept. This leaves only 5,550 units that have rents below the FMR and accept Section 8 subsidies (or just 12.6% of the 43,860 surveyed units). The other complexes with income requirement policies are sometimes exclusionary as well, just not quite as blatant. The graph in the Summary of this survey illustrates the effects of the income policies.

How income requirements exclude Section 8 renters

To illustrate this point, consider the following: The starting wage at two Suburban Hennepin Burger Kings is $6.00. At this wage, a full time employee will earn $12,480 per year, or $1,040 per month. The Fair Market Rent for a two bedroom unit is $621. If a landlord requires income that is three times the rent, the wage earner would have to make more than $1,800 per month. This apartment is clearly beyond the reach of this family given this requirement. Even with a very inexpensive two bedroom apartment renting at $450 per month (an *extreme* rarity in this market), the wage earner would still have to earn $1,350 per month to meet the three-times-the-rent requirement.

The irony is that, with a Section 8 certificate, the wage earner could afford to live in either of these apartments because they would only have to spend 30% of their income on rent. Essentially, requiring income three times the rent excludes Section 8 renters because, if they earned three times the rent, they would not need Section 8.

THE COLLAPSE OF PROJECT-BASED SUBSIDIES

An alarming trend has begun in Minnesota as owners of rental complexes subsidized with project-based Section 8 subsidies (see the appendix "About Section 8" for an explanation of these terms) have given notice to tenants that they no longer intend to participate in the program. These complexes--Oak Grove Towers in Minneapolis and Hopkins Village in Hopkins--contain a total of 389 units, of which 232 are Section 8. The owners of another project, Archer Heights in Minnetonka with 90 of its 172 units under Section 8, have taken steps that indicate they are preparing to terminate their assistance contracts in the near future.

All of these projects were developed in the 1970s under a HUD mortgage program called Section 236. The 236 program provided 100% of the financing for these developments and, in addition, provides an on-going interest rate subsidy to the owner that reduces the effective interest on the mortgage to 1%. In exchange for these lucrative benefits to the owners, they are required to limit occupancy to low and moderate income tenants, maintain the buildings according to HUD minimum property standards, and limit rents to what it costs to operate the buildings, service the subsidized debt, and provide a limited profit to the owners--HUD controls all rent increases. Because of the subsidies used to develop them and because of HUD's controls on rent increases, these developments operate profitably with rents that are often below surrounding market rents. Many 236 project owners also have been allocated Section 8 assistance for some or all of the units in their projects.

Even without Section 8 assistance the 236 controls have kept rents affordable to low and moderate income tenants and well below those in their immediate market areas. Oak Grove is in the up-scaling Loring Park neighborhood of Minneapolis and Hopkins Village is in a convenient suburban location that is experiencing sharply escalating rent levels; Archer Heights is adjacent to subdivisions of homes in

the $300,000 to 400,000 and up range.

The term of the 236 mortgage is 40 years; but, a provision of the 236 program allows owners, after 20 years of operation as subsidized housing, to elect whether or not to continue in the program. Many 236 projects have passed or are approaching their 20-year anniversary and, as the examples of Oak Grove and Hopkins Village indicate, owners are exercising their right to get out of the low income housing business. Coupled with the owners' termination of the 236 program have come terminations of the Section 8 subsidies attached to units in the complexes. At Oak Grove Towers, tenants have been notified of rent increases of $200 per month; Hopkins Village tenants have not yet been told the size of the rent increase to anticipate. Federal law requires owners to give a year's notice of Section 8 terminations but 236 mortgage programs can be terminated with as little as a month's notice to tenants.

In order to mitigate the impact of these decisions on tenants, Congress has authorized funding to "voucher out" all project-based Section 8 units. This means that displaced Section 8 tenants will be issued vouchers and turned out into the marketplace to find replacement housing. Many of these tenants are elderly people--some were elderly when they moved into these complexes years ago when the projects were first opened and are now in their 80s and 90s. Most expected to live out their lives in these complexes and now can be expected to undergo severe stress upon displacement. The hardship will also be severe on physically and mentally disabled people as well as families with children who must face a rental market with the lowest vacancy rates in recent history (less than 2%; 5% is considered "normal") and steadily increasing rents. And, as this survey shows with stark clarity, they will be entering a market that is less and less inclined to accept Section 8 tenants.

These early examples of owner terminations are only the first of what advocates expect to be a deluge during the next few years. Minnesota was a leader in the use of the Section 236 and Section 8 development programs. Many assisted complexes were built in now-desirable locations where the lure of vastly increased profits can be expected to induce owners to convert to market rate housing. With our tight rental market and the ever-diminishing number of places accepting Section 8 renters, there is a major crisis approaching.

DEMAND FOR AFFORDABLE RENTAL UNITS

According to the 1995 Hennepin County Consolidated Plan, 13% of households in suburban Hennepin County (approximately 34,000 households) have incomes at or below 50% of the median income (around $27,000), the qualifying level of income for the Section 8 program. Only about 1 out of 5 of those who qualify actually receive a housing subsidy--7,200 households, including those living in public housing and project-based Section 8 units as well as those utilizing tenant-based Section 8 certificates and vouchers. In addition, a person with a Section 8 certificate or voucher in the 7-county Twin Cities metro area can look for housing anywhere in the metro area, a concept know as "portability." This means that people from Minneapolis and St. Paul could also be looking for housing in suburban Hennepin County, although some communities do give preference for assistance to current residents.

Housing is considered "affordable" to households with incomes at or below 50% of the median income if the unit rents for no more than $675 per month. In 1997, the Fair Market Rent for a two-bedroom unit (the rent that qualifies the unit for the Section 8 program) is $621. Low-income households, whether they receive a subsidy or not, are competing for the limited number of these affordable units.

In addition, households earning more than $27,000 often occupy or are looking for these same lower cost units. All of this demand puts a strain on the private housing market to meet the needs of lower income families. The task of finding an affordable unit is especially difficult for households with Section 8 subsidies because, as this survey shows, many property owners or managers chose not to participate in the program. The housing market is further complicated in the Twin Cities metro area because of low vacancy rates; the Minneapolis Star Tribune reported a June, 1997 vacancy rate of 1.9% for the metro area.

The Wait for Section 8

There are a number of reasons that only one in five qualifying households receive subsidies. One of them, certainly, is the status of the Section 8 waiting lists maintained by area Housing and Redevelopment Authorities (HRAs). The chart below lists the HRAs providing the majority of Section 8 certificates and vouchers used in suburban Hennepin County.

HRA	# Certificates	# Vouchers	Estimated wait
Bloomington	306	200	3 years
Plymouth	87	0	3 mo. to 3 yrs.
Richfield	0	230	3 to 5 years
St. Louis Park	220	64	2 to 6 years
Metro Council	3,625	1,100	2 years

CONGRESSIONAL ACTIONS AFFECTING SECTION 8

In 1996, Congress enacted a number of changes to the Section 8 program in an effort to make the program more acceptable to property owners and managers. These changes were made by tacking them onto an appropriations bill, so they were effective for only one year. Recently, Congress passed another appropriations bill that continues the changes for another year (until September 30, 1998). It is expected by housing advocates that sometime next year, the changes will be codified in an "authorization" bill that will make the changes permanent.

Elimination of federal preferences

As housing problems for low-income people became increasingly critical in the 1980s, HUD established priorities for the Section 8 program. Homeless families, people displaced by government action, and households with "severe rent burden" (paying more than half of income for housing) were given preference in getting assistance. These preferences are no longer in effect.

Increase in security deposits required

Prior to 1996, landlords could only charge the equivalent of the tenant's portion of the rent for a security deposit. When the tenant moved out, if the damage amount was more than the deposit, the landlord could collect the remainder from the agency issuing the Section 8 subsidy. This restriction has been removed, allowing landlords to require the same security deposit from a Section 8 tenant as they do for a "market" tenant. Section 8 tenants who do not have the money for these increased security

deposits are asking for Emergency Assistance from the county, being forced to move from their current homes, or are not renting in places that require large security deposits.

Elimination of "for cause only" evictions

For many years, under the Section 8 program landlords were required to show "good cause" in order to terminate a tenant's lease. This has now been changed to allow landlords to terminate a Section 8 lease simply by giving notice. One consequence of this change is that Section 8 tenants may be less likely to report repair needs or problems with their rental units because of fear of losing their apartment.

Repeal of "take one-take all" provision

Previously, landlords had to have a valid reason for not accepting Section 8 tenants, once they initially accepted one tenant with a Section 8 subsidy. Now, landlords who already have tenants using Section 8 can exclude new Section 8 tenants simply because they are utilizing the program.

All of these changes were made to induce landlords to accept Section 8 tenants in their buildings. The Metro HRA, which administers the Section 8 program for many cities in the Twin Cities metro area, sent out a notice in 1996 announcing these changes to all landlords who were participating in the Section 8 program. As the graph at the beginning of this report clearly shows, landlords are not joining the Section 8 program, even with these changes. In fact, looking at those complexes in our survey that met the FMRs in 1995 and 1996, there is a net loss of 1,684 units that accept Section 8. This can be only be attributed to landlords no longer accepting Section 8.

Even with the removal of tenant protections that were seen as burdensome by landlords, the supply of Section 8 housing has still decreased. This brings into question the policy of moving toward a reliance on the market place to supply affordable housing.

No new Section 8 certificates/vouchers

Since 1974, the amount of Section 8 certificates and vouchers has always been increased to account for increases in the population and in the number of people who qualify for Section 8. For instance, the 1995 budget provided funding for 520,000 new Section 8 certificates and vouchers. However, as part of the "balance the budget" move, that budget was rescinded by Congress and no new Section 8 funding was provided. Again this year, Congress has appropriated no "incremental" funding for additional Section 8 certificates or vouchers.

Delay in reissuing "unused" Section 8 certificates and vouchers

Under current practice, when a Section 8-eligible family gets to the top of the waiting list, often after months or years of waiting, they have 60 days to find and rent a qualifying unit (rent within the FMR, condition up to "minimum property standards", etc.). If they are unsuccessful, the tenant may request an additional 60 days to search. If, after the 120 days with the extension, the home-seeker is still unsuccessful, the Section 8 certificate or voucher must be turned back in to the issuing agency. This occurs about 20% of the time, according to national data, and the larger the unit needed, the higher the failure rate.

In April 1996, Congress passed legislation, renewed this October for another year, requiring that all certificates/vouchers that are returned not be reissued for three months. This policy penalizes people

who are on waiting lists for Section 8 by not providing them with these returned Section 8 certificates. Congressional reasoning seems to be that a returned Section 8 demonstrates a lack of need, instead of a failure of the market place to provide adequate housing. This, despite the fact that nationwide only one in four income-eligible renter households actually receives any sort of housing assistance.

Minimum rent

Under Section 8, a tenant's rent payment is calculated at 30% of the tenant's "adjusted gross income." Adjustments in income are allowed for such things as the number of children in the household and extraordinary expenses such as medical costs. Many Section 8 tenants, especially elderly people on Social Security or small pensions have medical expenses that cause their adjusted income, and therefore their rent payment, to be zero. In October 1996 legislation, a measure was passed to allow local housing authorities the discretion of charging anywhere from $0 to $50 for minimum rents. This has been extended for another year and is expected to be made permanent next year.

(The housing authorities administering the majority of Section 8 certificates and vouchers in suburban Hennepin County have adopted the following minimum rents: Bloomington: $25; Plymouth: $35; Richfield: $25; St. Louis Park: $0; Metro Council: $25.)

AFTERWORD

These changes at the federal level are symptomatic of the low priority being given to the housing crisis: Congressional program cuts impelled by the balanced budget priority, the low esteem HUD has with decision-makers, the pervasive "poor bashing" that has taken hold in Washington and carried down to virtually every level of government, and the absolute lack of leadership on housing at the national level as demonstrated by the fact that housing was a non-issue in the last Congressional and presidential elections. With welfare reform, the state of Minnesota is penalizing those on assisted housing, reducing their cash grants by $100 in order to save money.

It is readily apparent that the marketplace, even with subsidies provided through the tenant-based Section 8 program, cannot or will not meet the housing needs of low income people. We hope that our survey will help to convince policy makers at every level of government that a housing crisis exists for low wage workers, people on fixed incomes, and people with special needs. It is unfortunate that it's necessary for so many to suffer before any action is taken.

APPENDIX I: About Section 8

Since 1974, when it was authorized by Congress, the Section 8 program has been the mainstay of government assisted housing in the United States. Section 8 operates in the private rental housing market, providing rent subsidies to owners on behalf of qualified tenants. The U.S. Department of Housing and Urban Development, HUD, funds the program nationally, although Section 8 subsidies may be administered through state, regional, county, or local agencies.

(Public housing, like Section 8, serves very low income households and operates under many of the same rules; but, it is owned by public entities: housing and redevelopment authorities or public housing agencies. In suburban Hennepin County, only four municipalities--Bloomington, Hopkins, Mound, and St. Louis Park --operate public housing; the total number of public housing units, tallied in the County's Consolidation Plan, is 236, of which 47 are for families, the rest for elderly and handicapped renters. These units are not part of this report.)

Basic Elements of Section 8

Through the years, a number of variations of the Section 8 program have been devised. However, there are common features to all the versions of Section 8 as it currently operates:

- Tenants pay a percentage of their incomes, currently 30%, for housing (rent and household utilities) and the federal government pays the rest to the landlord.
- The housing must be inspected and determined to meet minimum quality standards to be eligible for a subsidy.
- Locally established "fair market rent" standards apply (areas in high cost markets may be approved by HUD for "exceptions rents" that may be 10% to 20% above the region's normal FMR).
- Tenants' incomes, adjusted for family size, must be at or below 50% of the area median income to qualify.
- Tenants are covered by federal renter protections, such as a prohibition against arbitrary evictions and the right to appeal adverse decisions.

Project-based vs. Tenant-based Section 8

There are two basic types of Section 8. In the first, the subsidy is "attached" to the housing; this is the project-based model in which a private owner contracts to have all or a portion of the units in a given building covered by the program. An eligible household living in a project-based Section 8 unit automatically receives the rent-geared-to-income benefit. Rents in project-based Section 8 buildings are controlled by HUD and, especially in market areas like the suburbs, are often below prevailing rents in the area. The owner's contract for the project-based subsidies may run from 15 to 40 years; at 5-year intervals, owners and HUD have the option to continue or terminate the program. Recently, Congress has limited refunding of project-based contracts to one year at a time.

The second type of Section 8 is called tenant-based. Here, an eligible household is issued a document from a local or regional housing authority--often after months or even years on a waiting list--verifying for a potential landlord that the person or family is in the Section 8 program. The household then has 60 days to find a willing landlord with an eligible unit for rent; another 60 days may be given if a home seeker is unable to find a "qualifying and accepting" unit in the initial time period. (If the home-seeker is unable to find a unit after 120 days, the agency issuing the subsidy is required by

federal law to "park" the Section 8 certificate or voucher for three months, despite the fact that there are many people on waiting lists for assistance.)

The rented unit may be an apartment, a townhouse, of even a single-family home. The landlord executes a lease with the tenant and a contract with the administering agency. The tenant pays 30% of his or her income to the landlord and the agency, with funds from HUD, pays the difference.

Tenant-based subsidies are currently funded by Congress on a one-year basis (it used to be a five-year term). Administering agencies enter into funding contracts with HUD for an allocation of units or for a dollar amount which may yield differing numbers of units, depending on the mix of unit sizes under lease. Nationally, Section 8 subsidies are split roughly equally between tenant- and project-based types; in suburban Hennepin County, only about 2 in 5 Section 8 subsidies are tenant-based.

Certificates & Vouchers

There are two categories of tenant-based Section 8: certificates and vouchers. Nationally, there are about three certificates for each voucher. In suburban Hennepin the ratio is about one voucher for every three certificates. As long as the rent on the unit is within the fair market rent set by HUD, these two versions operate similarly. However, if the rent exceeds the FMR, there are significant differences between the two.

Certificate holders may not enter into a lease for a unit renting above the FMR. Section 8 leases initially run for a one-year term, and usually convert to a month-to-month arrangement thereafter. If the rent goes up during the first year, the tenant may remain in place until the lease has run its term but may have to move after that if the rent increase exceeds a locally applied "adjustment factor."

Vouchers may be used in a unit even if the rent exceeds the FMR; however, tenants must pay dollar-for-dollar the full amount that the rent exceeds the FMR. They pay this amount in addition to 30% of their household income. Thus, vouchers may be used more widely in the marketplace than certificates; but voucher-holding tenants may also be subject to paying more than the Brook Amendment standard of 30% of income for housing. The Metropolitan HRA reported on July 31, 1997 that a full 40% of voucher holders are paying more than 30% of their incomes. In tight housing markets like suburban Hennepin County, an excessive cost burden for the tenant may be the price of housing choice.

APPENDIX II: ABOUT THE SURVEY

When and where it was conducted

The survey was conducted by telephone during May and June of 1997. Cities in CASH's service area were contacted for directories of rental housing in their jurisdictions. Such lists were received from 24 suburbs:

Bloomington	Crystal	Hopkins	New Hope	St. Anthony
Brooklyn Center	Eden Prairie	Maple Grove	Osseo	Spring Park
Brooklyn Park	Edina	Maple Plain	Plymouth	St. Louis Pk.
Champlin	Excelsior	Minnetonka	Richfield	Wayzata
Chanhassen	Golden Valley	Mound	Robbinsdale	

Who was contacted

Calls were placed by volunteers and staff to owners or managers of 370 apartment complexes containing 43,860 units. The survey concentrates on complexes containing two-bedroom apartments and at least six units. It *excludes* public housing or developments offering project-based Section 8.

The volunteers called as potential consumers and spoke to whomever answered the phone. The survey questions were straightforward and few. The basic purpose of the survey was to get an overview of the prospects for a Section 8 certificate- or voucher-holder to find a place to use the subsidy in suburban Hennepin County.

Because our callers were speaking to whomever answered the phone, we did not always get people with knowledge of the owner's decision-making or of the history of the complex. In fact, it was quite common for us to end up speaking with someone who didn't know whether or not the complex uses income requirements, let alone how these requirements apply to Section 8 renters. The inability to speak to an actual decision-maker (or someone knowledgeable) made the survey process a little more difficult. But more importantly, it demonstrates another of the difficulties encountered by home seekers who end up wasting application fees on complexes where tenancy is unlikely.

How we figured the results

In determining the number of units renting at or below the Fair market Rent (FMR), account was taken for the fact that HUD has allowed "exception rents" in certain higher cost suburbs. The high-cost suburbs and their two bedroom HUD-approved exception rents are shown below. The Metro Area FMR ($621 for a two bedroom unit) applies in the remainder of the cities surveyed.

Bloomington	$744	Eden Prairie	$713
Edina	$724	Golden Valley	$686
Hopkins	$684	Maple Grove	$716
Minnetonka	$724	Mound	$653
Plymouth	$745	Richfield	$643
Wayzata	$669		

The survey provides a snapshot of the housing market for tenants with Section 8 vouchers and certificates. Although our concern lies with every tenant seeking affordable housing, this survey looks

only at the market for tenants with a Section 8 subsidy.

What was asked:

- What is the rent for a two bedroom apartment?
- Do you accept Section 8? Certificates? Vouchers?
- Do you have any minimum monthly income requirements at your complex? If so, how does a Section 8 subsidy apply?