The

Section 8 Report #9

November 2003

Vouchers: Even In a Renter's Market, Most Units Still Off Limits

Bush Administration Proposals Threaten Program

A survey of the acceptance of Section 8 vouchers in Anoka, Dakota, and suburban Hennepin Counties, Minnesota

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This report was prepared by volunteers and staff of HOME Line. Beth Kodluboy, HOME Line's lead tenant organizer, coordinated data collection and processing. The calls were made by Zeia Lomax, Nikki Schwartz, Jennifer Scnabel, Andy Hamerlind, Harry Ibim, Melissa Rudnick, Beth Kodluboy, and Mary Gleason. Graphics were provided by Eric Hauge; Charlie Warner, HOME Line's executive director, wrote the text with help from Paul Birnberg, HOME Line's senior housing attorney.

About HOME Line

HOME Line is a Minnesota non-profit tenant advocacy organization. It began in 1992 as a program of the community action agency operating in suburban Hennepin County (Minneapolis) and spun off as an independent entity in 1999. HOME Line's programs for tenants include a statewide hotline that receives over 9,000 calls each year. The hotline staff also conducts a presentation program for local high school seniors to educate them on becoming knowledgeable and responsible renters. HOME Line also works to organize tenants to deal collectively with common problems and has focused much of its organizing work in recent years on tenants of HUD-subsidized complexes at risk of conversion to market rents. HOME Line participates in housing policy advocacy at the state and national levels through its work with organizations such as the Minnesota Housing Partnership, the National Alliance of HUD Tenants, the National Housing Law Project, and the National Low Income Housing Coalition.

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SUMMARY

- HOME Line's ninth annual survey to measure acceptance of Section 8 vouchers in suburban Hennepin County reached 325 complexes. For the third year, we also surveyed rental complexes in Anoka County (115 complexes), and Dakota County (121 complexes). A total of 67,803 rental units are covered by this year's report (42,699 in suburban Hennepin, 7,869 in Anoka, and 17,235 in Dakota); this represents 55.8% of all rental housing in the surveyed areas.

- Landlords' refusal to accept Section 8 continues to drastically reduce the effectiveness of the program. Despite higher Section 8 rent limits and a higher vacancy rate, only one-third (33.1%) of all units surveyed in the three counties were available for Section 8 voucher holders at rents within the eligibility limits of the program and without minimum income requirements that disqualify voucher holders.

- Since last year's survey, HUD raised the rent limits for Section 8 vouchers to $912 for 2-bedroom units, a 5.8% increase. Local housing agencies issuing vouchers in high rent areas were able to increase the "voucher payment standard," the purchasing power of a voucher, by as much as 13% above the rent limit, allowing vouchers to cover 2-bedroom rents up to $1,034.

- The increase in the voucher's value meant that five out of six (82.2%) of all units surveyed fell within the rent limits for Section 8, about 5% more than last year. In Anoka County, nearly all of the units surveyed (97.3%) had rents at or below the voucher payment standard. In suburban Hennepin County the rate was 82.0%. Dakota County, at 75.9%, had the lowest proportion of its units with rents qualifying for Section 8.

- The vacancy rate rose from 5% in 2002 to 7% this year. This softer market may account for the reduction in the number of owners imposing minimum income restrictions that disqualify virtually all Section 8 tenants. Last year, 7,442 units had such minimum income restrictions; this year the number was down to 3,322 units.

- Metro area housing agencies administering Section 8 vouchers report that more than 24,000 households are on their waiting lists. All of the waiting lists are reported to be closed at this time. Once someone is on a list, the wait to get a voucher ranges from 6 months to five years.

INTRODUCTION

Since 1995, HOME Line has surveyed suburban rental housing complexes to determine where tenants with Section 8 housing vouchers can actually use them. The survey was originally focused on apartment buildings in suburban Hennepin County because HOME Line was a program of a nonprofit agency with that as its service area. After HOME Line spun off as an independent organization, we received a foundation grant to expand our programs to Anoka and Dakota Counties and, in 2001, added the two new counties to our survey.

This year's survey reached a total of 561 complexes: 325 in suburban Hennepin County, 115 in Anoka County, and 121 in Dakota County. These include a total of 67,803 rental units or 55.8% of all rental housing in the surveyed areas. Our callers spoke to whomever answered the phone and asked for the two bedroom unit rent and whether Section 8 was accepted. If the complex took Section 8 we asked whether there were any minimum income requirements and what they were. A more detailed description of our methodology is in Appendix I.

The "Housing Choice Voucher" program, administered by the U.S. Department of Housing and Urban Development (HUD), relies on participation by landlords to give voucher holders some choices in where they can live. Over the years, landlord participation with the voucher program has varied as the rental market has changed and as HUD has adjusted its calculation of "fair market rent" (FMR), the purchasing power of the vouchers. The results of this survey, then, measure how federal policy and market conditions influence landlords' willingness to participate in the voucher program and, ultimately, how this affects the ability of tenants with vouchers to get housing.

Three years ago, in 2000, our survey captured a picture of the market at its "hottest." Rents were soaring with the pre-bust economy; the vacancy rate for apartments, at 1.5%, was the lowest in recent history. At the same time, HUD's fair market rent was lagging far behind the market: at $684 for a 2-bedroom unit it was $137 below the average rent of the complexes we surveyed. That year, a mere 5.2% of all the units we surveyed were available to tenants with vouchers.

Over the last two years the market was profoundly transformed, especially this past year. Rents have decreased and apartment vacancies have hit 7%, a level far higher than any during the history of our survey, and well above the 5% that most economists consider an indication of a healthy rental market. Furthermore, HUD had reacted to the earlier gap between its FMR and actual market rents and had pegged the voucher value at $912, $58 above the average rent. In fact, more than four-fifths of all the units we surveyed this year had rents within the voucher limit.

Despite this, less than a third had owners willing to accept Section 8 tenants. Only 33.1% of the 67,803 surveyed apartments had owners truly willing to rent to Section 8 tenants. While this is an improvement from previous years, it is still a measure of considerable landlord bias. Whether this bias is against aspects of the voucher program or against voucher holders themselves, it illustrates how owners' bias affects Section 8 tenants' ability to get housing.

We are left to conclude that, even in the "best of times" for voucher holders--lots of vacant apartments, rents leveling off and even going down, and HUD's setting the value of a voucher at an all-time high relative to market rents--the "housing choice voucher" does not live up to its name when owners place 66.99% of the market off limits to the voucher holders.

NEED FOR IMPROVEMENTS IN THE PROGRAM

Despite the difficulties Section 8 tenants experience in using their vouchers, demand for the program remains extremely high. A polling of housing agencies that issue vouchers in the metro area revealed more than 24,000 people on waiting lists. It can take as long as five years to get to the top of some of those lists (See Appendix IV).

To make the program more effective in meeting the pent-up, and increasing, demand for vouchers, there must either be improved incentives to landlords, enforcement of the state's fair housing laws that prohibit discrimination against people on housing assistance, or both.

Despite the evidence pointing to a real need to improve aspects of the program to appeal to more landlords, the Administration and Congress are proposing changes and program cuts that will have precisely the opposite effect, as described below.

BUSH ADMINISTRATION PROPOSALS WILL WEAKEN PROGRAM

Administration's 2004 HUD Budget Proposed Severe Section 8 Cuts

The most immediate problem with the Section 8 program is its funding level. The 2004 fiscal year budget proposed by the administration for the housing voucher program would result in a shortfall of $1.26 billion dollars. Unless changed by Congress, approximately 184,000 vouchers expected to be in use at the beginning of the fiscal year could not be funded. In July, the House of Representatives approved an appropriations bill that would provide $835 million beyond the amount in the Administration's budget. Despite the increase, the funding level in the House bill still falls short by approximately 63,000 vouchers that are expected to be in use at the start of the fiscal year. While less harmful than the loss of 184,000 vouchers under the Administration's budget, this would still constitute an unprecedented reduction in assistance under the voucher program. Never before in the program's three decade history has Congress failed to provide sufficient funds to renew all vouchers in use. Advocates pushed the Senate to adopt a resolution directing HUD "to take all necessary actions to encourage full utilization of vouchers by using fiscal year 2004 funds . . . and all legally available funds as needed to support and fund all housing vouchers in fiscal year 2004, so that every voucher can be used by an eligible low-income family." The Bush Office of Management and Budget (OMB) issued a "Statement of Administration Policy" warning that the Senate resolution could " . . . encourage public housing authorities to issue more vouchers than have been either funded or authorized by the Congress." Despite White House pressure, on November 25, the House and Senate leadership reported out a Section 8 budget of $19.4 billion (13% above the 2003 level) that is sufficient to fully fund all vouchers expected to be in use during the coming year. While it appears that the alarm sounded by advocates over the potential underfunding of the program was heeded by Congress this year, the danger remains that the current administration may reintroduce cuts to Section 8 in coming years.

Voucher Block Grant Proposal

In April, the Administration introduced legislation in Congress that would end the existing Section 8 voucher program and replace it with a block grant to the states. The block grant would eliminate the existing funding structure that has provided sufficient funds each year to cover actual voucher costs for all authorized vouchers and to cover cost increases. Instead, under the new proposal, Congress would simply pick an amount to appropriate for the block grant each year. There would be no formula related to the number of vouchers in use or to changes in rents.

It is likely that funding for the new block grant would not keep pace with changes in rental costs — and could be frozen at a previous year's level. The national experience with block grants is not reassuring. An analysis by the Center on Budget and Policy Priorities of nine block grants that serve low-income people in the areas of housing, health, and social services shows that inflation adjusted funding for these programs fell by an average of 22 percent from 1982. It is likely that federal funding for vouchers would fall behind the program's needs, and states would either have to contribute their own funds or reduce assistance. Fewer families would be served or the help each gets would be reduced.

The proposed block grant legislation poses other significant problems as well. If funding does not keep pace with housing costs, some landlords would be deterred from accepting vouchers, since the rental revenues that vouchers provide would be less reliable or would not keep pace with market rents.

The block grant would transfer administration and rule-setting to the states which could eliminate the "30% of income" limit on a participant's rent payment. If, instead, states provided only a flat amount, it is likely to make the tenant's existing housing unaffordable and could lead to eviction for non-payment. This is not a prospect likely to encourage landlords to participate. Seven national organizations representing apartment owners have expressed strong concerns that a block grant would reduce private sector participation in the program.

The block grant bills would also grant states greatly expanded power to decide where voucher holders could live. This could be done by declaring neighborhoods or sections of a state off limits to families with vouchers, by requiring that families use their vouchers in designated developments, or by setting maximum voucher payments at levels that make many neighborhoods unaffordable to voucher holders. Placing limits on where voucher holders can live would make it more difficult for families to use their vouchers to move to neighborhoods with more jobs, lower crime, or better schools. It would thereby undercut the program's role in helping families move from welfare to employment and undercut the principle that vouchers give tenants a choice of housing.

Strong and widespread opposition to the block grant from housing advocates, landlords, and local housing agencies has stymied the legislation; however, it is expected that the Administration will continue to press the matter.

HUD Restrictions on Exception Payment Standards

For a number of years, local agencies administering Section 8 vouchers have been given some latitude in setting the "voucher payment standard (VPS)," the purchasing power of vouchers used in their locality. The usual standard is the HUD-set fair market rent (FMR) established through an analysis of local market data or by an actual random survey of tenants who have recently moved to standard housing in the area. Housing authorities have been able to set the local VPS up to 10% higher than the FMR on their own, or up to 20% above the FMR with the approval of the local HUD office. However, a September Central Office memo to HUD field offices rescinded all authority for the granting of exception payment standards for vouchers except for people with disabilities. The memo requires that all exceptions be approved at HUD Headquarters. National housing advocacy organizations have objected to this new policy noting that it would likely mean a loss of locational choice by voucher holders and would present another deterrent to landlord participation in the voucher program.

FINDINGS

In the summer and fall of 2003, HOME Line conducted its ninth annual telephone survey of suburban Hennepin County rental property owners to determine their willingness to participate in the Section 8 rental subsidy program. For the past three years, we have also surveyed rental complexes in Anoka and Dakota counties in addition to those in suburban Hennepin. The sections that follow detail findings from this year's survey.

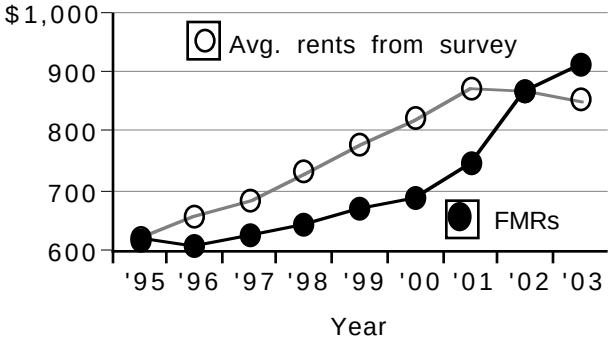
Survey covers over half of all rental units in Anoka, Dakota, and suburban Hennepin counties

This year's expanded survey again covered Anoka and Dakota counties in addition to suburban Hennepin County. The units sampled represent a majority of the rental housing in those areas as shown in the chart below. For a more detailed description of how the survey was conducted and what housing was covered, see "About the Survey" in Appendix I.

	Suburban Hennepin	Anoka	Dakota	All areas surveyed
Total number of rental units in 2000 Census	75,392	17,688	28,530	121,610
Number of complexes surveyed	325	115	121	561
Number of units in survey	42,699	7,869	17,235	67,803
Surveyed units as a percent of total	56.6%	44.4%	60.5%	55.8%

Many more units surveyed have rents within the Section 8 program limit

Over the last three years, HUD has caught up with the local rental market, raising the rent limit for the Section 8 program by 33%. In 2000, the two-bedroom "fair market rent" (FMR) in the Twin Cities area was $684; it rose to $912 at the time of this year's survey. For the first time since this survey was conducted in 1995, the average rent of the units in our survey actually declined. And, also for the first time, the FMR exceeded the average unit rent in the survey. The graph at the right compares the average rent from each year's survey and that year's HUD-determined Fair Market Rent.



HUD's increases in FMR and a softening in the area rental market have brought a substantially higher percentage of units within the Section 8 limits. Almost all (97.3%) of Anoka County units surveyed met the rent qualification. More than four-fifths (82%) of the units in suburban Hennepin County qualified this year as did more than three-quarters (75.9%) of those in Dakota County. In 2000, before HUD began bringing the FMR in line with market rents, only 25% of the units in our survey qualified for Section 8.

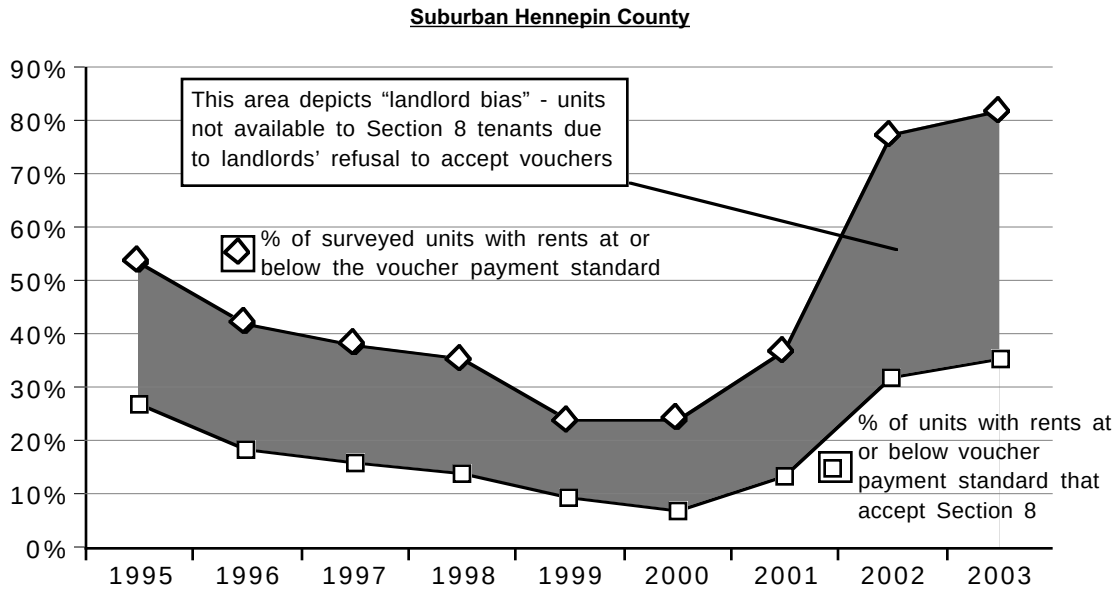
	Suburban Hennepin	Anoka	Dakota	All areas surveyed
Number of units in 2003 survey	42,699	7,869	17,235	67,803
Units with rents within VPS	34,997	7,655	13,076	55,728
Percent of units with rents within VPS	82.0%	97.3%	75.9%	82.2%

Landlord refusal to accept Section 8 limits the effectiveness of the voucher program

Our study shows that 66.9% of the total number of units surveyed remain "off limits" to Section 8 voucher holders despite the fact that 82% of the surveyed units had rents that qualified for Section 8. This can only be attributed to owners' continuing refusal to participate in the voucher program.

Section 8 vouchers have been promoted as offering freedom of choice to the voucher holders. However, if landlords are free to decide whether to participate, the value of the Section 8 program to voucher holders is largely dependent on the landlord's choice. As this survey clearly shows, most landlords choose not to participate, even when the voucher payment standard is high enough to completely cover their market rents. Of all the units surveyed which had rents at or below the value of the voucher, less than one-third (33.1%) would accept voucher holders. Whether this stems from owners' concerns about aspects of program administration (e.g., extra paperwork, unit inspections by housing agencies, etc.) or from their biases against voucher holders themselves (e.g., owners' perceptions that voucher holders are mostly racial minorities or are receiving "welfare"), their refusal to accept Section 8 documented in this survey results in a program that does not deliver as promised.

Landlord bias has limited the effectiveness of the program in providing freedom of choice for voucher holders. The graph below, using data for suburban Hennepin County for all the years of this survey, portrays the impact of this bias.



Minimum income requirements bar voucher holders from 3,322 units

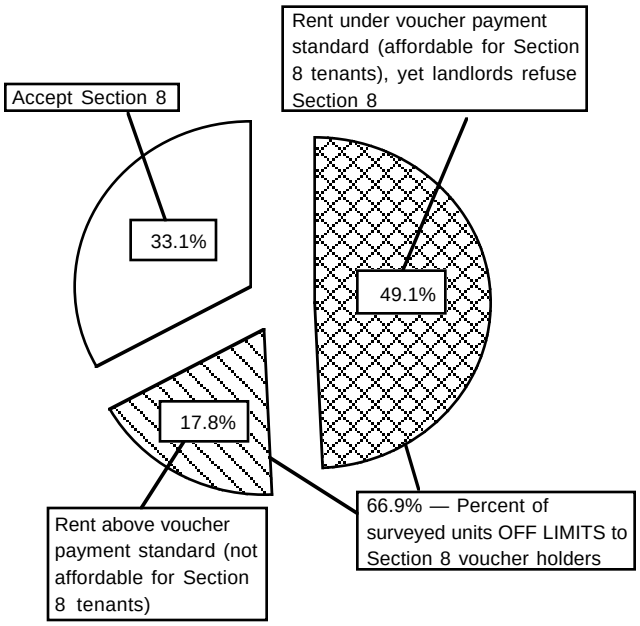
A unit may have a rent within the program limit and the owner may report being willing to accept Section 8, but the unit can still be unavailable to a voucher holder. This is because some owners impose minimum income requirements on applicants that have the effect of disqualifying virtually all Section 8 tenants. This was the case for 3,322 units included in this year's survey.

Minimum income requirements being used by owners and managers vary. Most are expressed as a multiple of the rent. Where there were such requirements, we probed to learn how they were

being applied to Section 8 applicants. If the multiplier was 3x and it applied to the *unit's market rent* (as opposed to the "tenants portion," which is 30% of their income under Section 8 rules) virtually all Section 8 holders would be disqualified.

To illustrate, if the rent is $800 and the multiplier is three, an applicant would need to have a $2,400 monthly income to qualify. This is an annual income of $28,800; to earn that much requires an hourly wage of $13.85. According to the agencies issuing vouchers, almost all their applicants have significantly lower incomes. The 1999 (latest available) national average income for a voucher holder was $9,560, or $4.60 per hour. Naturally this includes many people on pensions or public assistance and working low wage jobs, the very people most in need of subsidized housing. The $800 rent in our illustration is more than the entire monthly income of the "national average" tenant, so virtually any multiplier would disqualify him or her.

All units surveyed — 2003



The Bottom Line: only one-third of units work for voucher holders

The Section 8 "Housing Choice Voucher" program works if, and only if, a tenant can find an apartment in a building that 1) accepts applicants with vouchers, 2) has rents within the voucher payment standard, and 3) has no minimum income requirements that have the effect of excluding voucher holders. Only units that satisfy all three of these conditions can be said to be available and affordable to Section 8 tenants. It is these "bottom line" numbers shown in the chart below. (Results for all areas surveyed are summarized in the graph at the right.) This year's bottom line is that fully two-thirds of all units surveyed are still unavail-able for tenants with vouchers, despite the sizable increase in Section 8 rent limits and a softened rental market.

	Suburban Hennepin	Anoka	Dakota	All areas surveyed
Number of units in survey	42,699	7,869	17,235	67,803
Units w/in VPS and accept Sec. 8	15,086	3,538	7,122	25,746
Units with income requirements that exclude Section 8 tenants	892	562	1,868	3,322
Units affordable and available to Section 8 tenants w/o restrictions	14,194	2,976	5,254	23,944
Percent of units affordable and available to Section 8 tenants w/o restrictions	33.2%	37.8%	30.5%	33.1%

Voucher waiting lists continue to grow

National statistics indicate that only one in five income-eligible households actually gets subsidized housing. About a third of the families and individuals that receive any kind of rental subsidy are voucher holders. One of the reasons so few get the benefit of subsidized housing is the long wait to get a voucher. This can be up to five years in the Twin Cities metro area. After the wait, there is the often frustrating search for a place to use it. Many apartment seekers issued vouchers simply give up after a while. Others return them unused after the 60-120 day time limit to secure a lease runs out.

Knowing the state of the market, voucher issuing agencies use the airlines' tactic of "overbooking," that is, they issue more vouchers than they have budget authority to honor, knowing that there will be people who will not find an apartment to lease.

As a part of this survey, we contacted the housing agencies who issue Section 8 vouchers in the areas our survey covered: Anoka, Dakota, and suburban Hennepin counties. We asked them about their waiting lists, how long it usually takes for someone's name to come to the top of the list and how often it is opened for new additions.

Appendix IV shows the results of our survey of the seven housing authorities that provide the majority of Section 8 vouchers used in the complexes surveyed for this report.

All of the waiting lists are currently closed and several have remained closed for several years. Even when a tenant is able to get on to a list the wait can be as long as four or five years to get to the top. The agencies contacted (we called all that issue vouchers in the Twin Cities metro area) estimated the need in their communities for Section 8 assistance; the total was more than 24,000.

APPENDIX I: About the Survey

When and where it was conducted

The survey was conducted by telephone during the summer and fall of 2003. Cities in Anoka, Dakota and suburban Hennepin counties provided directories of rental housing in their jurisdictions. Such lists were received from 24 suburbs in suburban Hennepin County, 12 in Dakota County, and 10 in Anoka County, shown below. The survey covered apartment complexes in these suburbs.

SUBURBAN HENNEPIN COUNTY

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

DAKOTA COUNTY

Apple Valley	Farmington	Lakeville	Rosemount
Burnsville	Hastings	Lilydale	South St. Paul
Eagan	Inver Grove Heights	Newport	West St. Paul

ANOKA COUNTY

Anoka	Centerville	Coon Rapids	Hilltop	Spring Lake Park
Blaine	Columbia Heights	Fridley	Ramsey	St. Francis

Who was contacted

The survey was restricted to complexes containing two bedroom apartments and a total of at least six units. It excludes: publicly owned housing; developments with project-based Section 8; complexes financed with subsidized mortgages (e.g., Sec. 236 and 202); nursing homes; group homes; assisted living facilities; transitional housing; and special needs housing. For the suburban Hennepin sample, we include only those complexes from the first year's survey that we have been able to contact each and every year.

Calls were placed by volunteers and staff to the offices of a total of 561 apartment complexes containing 67,803 units in the three counties. According to the 2000 Census, the jurisdictions covered by this survey contain a total of 121,610 rental units; thus, we sampled 55.8% overall. It breaks down as follows: Anoka County - 44.4% (7,869 surveyed out of 17,699); Dakota County - 60.5% (17,253 out of 28,530); suburban Hennepin County- 56.6% (42,699 out of 75,392).

We called as potential consumers and spoke to the first person who answered the phone. Because our callers were speaking to whomever answered, we did not always talk to people with knowledge of the owner's decision making or the history of the complex. The inability to speak to an actual decision maker or someone fully knowledgeable made the survey process a little more difficult. But more importantly, it demonstrates some of the difficulties encountered by

apartment seekers who end up wasting application fees on complexes where tenancy is unlikely.

What was asked

The basic purpose of the survey was to get an overview of the prospects for a Section 8 voucher holder to find a place to use the subsidy in suburban Hennepin, Anoka, and Dakota counties. The survey questions were straightforward and few:

- What is the rent for a two bedroom apartment?
- Do you accept Section 8 vouchers?
- Do you have any minimum monthly income requirements at your complex, such as "income must be at least three times the rent"?
- If there is a minimum income requirement, how does a Section 8 subsidy apply? Is the tenant's income compared to the market rent or to the portion of the rent the tenant pays as a voucher holder?

How we tabulated the results

In determining the number of units renting at or below the voucher payment standard (VPS), we contacted the voucher issuing authorities for each of the survey areas: Bloomington, Hopkins, St. Louis Park, Plymouth, South St. Paul, Dakota County and the Metropolitan Council, which administers vouchers in all of the other suburbs. The highest suburbs and their two bedroom VPSs are shown in Appendix III, "VPSs by City." Some exceed 110% of the FMR; those required HUD approval.

We did not apply a utility allowance to the rents we were quoted. Because the voucher payment standard is supposed to cover "housing cost" which includes household utilities (except phone and cable), the number of units reported as being within the VPS is actually overstated. For example, if the quoted rent was $810 and the utility allowance for the unit is $30 and the VPS in that city was $816, the total housing cost ($840, rent of $810 plus utilities at $30) exceeds the VPS by $24. In this case, the family would have to pay the extra $24 out-of-pocket, raising their housing cost above 30% of income. Technically, this unit should not be counted in our survey as "qualifying" or "affordable."

There are a variety of "minimum income" requirements being used by owners and managers. Most are expressed as a multiple of the rent. Where there were such requirements, we probed to learn how it was being applied to Section 8 applicants. If applied to the tenant's portion of the rent, the multiple could be up to 3.3x without disqualifying the applicant, provided the rent was within the VPS. If the multiplier was 3x and applied to the unit's market rent, virtually all Section 8 holders would be disqualified. In this year's survey, we found 3,322 units where this was the case.

APPENDIX II: Housing Choice Vouchers and the Voucher Payment Standard

In 1999, HUD merged the Section 8 certificate and voucher programs into a single "Housing Choice Voucher" program. Under this program, the method of setting a voucher's maximum value (the highest rent it would cover) became the "voucher payment standard," or VPS. It is determined locally by the housing agency issuing vouchers in its jurisdiction.

There are four such agencies in suburban Hennepin County: Bloomington, Plymouth, Richfield, and St. Louis Park; two in Dakota County (the Dakota County CDA and South St. Paul); the remainder of the area surveyed is served by the Metropolitan Council's Housing and Redevelopment Authority.

Every year, HUD publishes a set of "Fair Market Rents" (FMRs) for each metropolitan area in the nation and for the non-metro areas of each state; FMRs are established for various unit sizes based on a survey of recent moves to dwellings in standard condition, i.e., habitable and up to code. For the past two years, HUD has conducted a "random digit dialing" survey to determine FMRs for the Twin Cities metro area. This methodology has produced program rents that are much closer to market rents, as indicated by the percentages of units qualifying shown in the chart on page 4 of this report.

The term FMR is somewhat misleading because "rent" actually means "housing cost." Housing cost is the rent *plus* utility costs (not including phone and cable). Most apartment rents in Minnesota do not include all utilities; they are paid by the tenant. So, when utility costs are figured in, the unit can exceed the VPS even though the advertised rent may be lower.

Within limits, the local agencies have the authority to set the maximum amount that vouchers will cover; these become the VPSs for their areas. They can set it anywhere between 90% and 110% of the FMRs. Going above or below these limits requires approval from HUD. Using vouchers, tenants pay 30% of income towards the housing cost; the agency issuing the voucher pays the landlord the rest, up to the VPS. If the rent plus utilities exceeds the VPS, the tenant must pay the extra amount out-of-pocket. (See Appendix III, "VPSs by City," for the VPSs in use at the time of this survey.)

However, a family may <u>not</u> pay more than 40% of its income for housing when they first receive a voucher or any time they move to a new unit. If the rent and utilities increase above 40% of the family's income after the initial lease period, they may remain, but will have to pay any increase out-of-pocket, pushing their housing cost past 40%.

This provision excludes a large number of low income tenants from many Twin Cities rental units. Housing agency staff, who first welcomed the flexibility of the new voucher program, have begun to experience problems as apartment seekers run afoul of this 40% limit and are unable to lease a unit. Setting a 40%-of-income limit carries an implication that this cost burden is acceptable and sets the stage for it's becoming the new definition of "affordable housing."

APPENDIX III: VPSs by City

Voucher Payment Standards (VPS) in Effect at Time of Survey
2-bedroom apartment

The Voucher Payment Standard (VPS) can be set between 90-110% of the Fair Market Rent (FMR) without HUD approval; higher VPSs (up to the maximum of 120% of the FMR) require HUD approval; however, a recent HUD directive has all but eliminated such approvals (see page 2.) The HUD-set Metro Area 2 bedroom FMR during the survey was $912.

The Metro Council HRA which issues vouchers used throughout the 7-county metro area has set its VPS at $980, 107% of the FMR.

Anoka County

City	VPS	% of FMR*
Anoka	980	107%
Blaine	980	107%
Centerville	980	107%
Columbia Heights	980	107%
Coon Rapids	1,021	112%
Fridley	980	107%
Hilltop	980	107%
Ramsey	980	107%
Spring Lake Park	980	107%
St. Francis	980	107%

Dakota County

City	VPS	% of FMR*
Apple Valley	941	103%
Burnsville	941	103%
Eagan	941	103%
Farmington	912	100%
Hastings	912	100%
Inver Grove Heights	912	100%
Lakeville	941	103%
Lilydale	862	95%
Newport	862	95%
Rosemount	912	100%
South Saint Paul	912	100%
West Saint Paul	912	100%

suburban Hennepin County

City	VPS	% of FMR*
Bloomington	1,034	113%
Crystal	980	107%
Brooklyn Center	980	107%
Brooklyn Park	980	107%
Champlin	980	107%
Chanhassen	980	107%
Crystal	980	107%
Eden Prairie	1,034	113%
Edina	1,034	113%
Excelsior	980	107%
Golden Valley	980	107%
Hopkins	980	107%

City	VPS	% of FMR*
Maple Grove	1,034	113%
Maple Plain	980	107%
Minnetonka	1,034	113%
Mound	980	107%
New Hope	980	107%
Osseo	980	107%
Plymouth	1,034	113%
Richfield	912	100%
Robbinsdale	980	107%
Spring Park	980	107%
St. Louis Park	958	105%
Wayzata	980	107%

APPENDIX IV: HRA Survey Results

2003 HRA Waiting List Survey

Agency	VPS	Number of vouchers in authority	Average time spent on waiting list	How often waiting list is open	Estimated need for vouchers
Metro HRA	$980	5,871	2 to 3 years	Opens periodically since 2001, when it had been open 5 straight years	Approximately 7,500 total
Bloomington HRA	$1,034	525	2 years	Opens when number of people on list drops below 100	5,000-10,000 total (they receive more than 500 calls per day when list is open)
So. St. Paul HRA	$912	302	2 years	Closed for 1 year	Approximately 500 total
Richfield HRA	$912	226	6 months to 4 years	Opens every 4 to 5 years	Approximately 1,134 total
Dakota Co. CDA	$862	2,202	2 years	No set schedule; Last open April/May 2002	4,700 total (based on census data, # of families below poverty level)
Plymouth HRA	$1,034	177	1 to 3 years	Last open February 2001	Approximately 86 more
St. Louis Park HRA	$958	265	4 to 5 years	Opens every 2 to 3 years	Unsure of need; 463 on list

APPENDIX V: FMRs

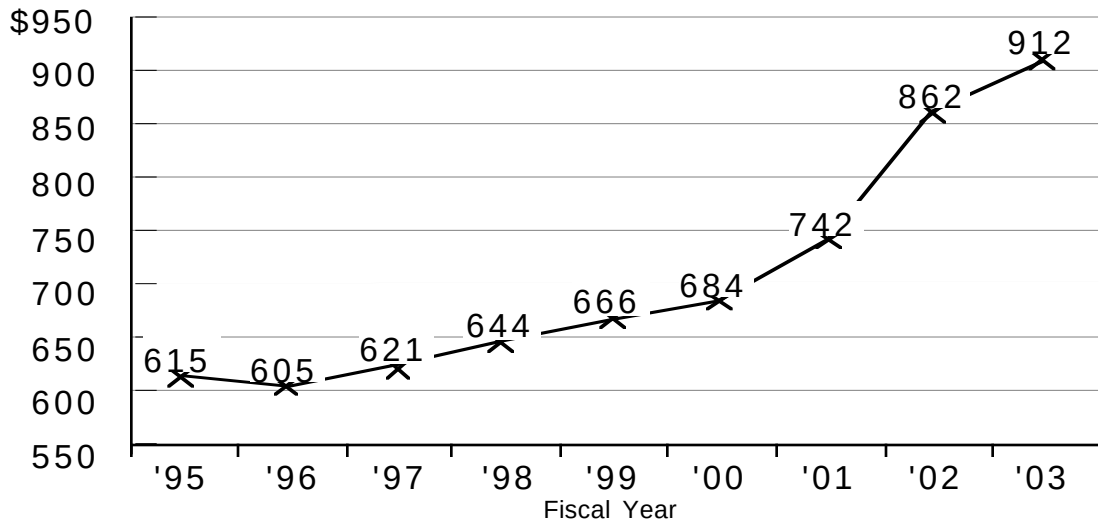
Twin Cities Metro Area Fair Market Rents (FMRs)

	Efficiencies	1 bedroom	2 bedroom	3 bedroom	4 bedroom
FMRs in effect at time of survey	554	713	912	1,233	1,397

In 2000, HUD published a notice that in 39 high rent market areas, including the Twin Cities metro area, FMRs would be calculated using the 50th percentile of rents instead of the 40th. The FMRs that went into use on October 1, 2002 and were in effect during the time of our survey represent about a 6% increase, considerably smaller than last year's 16% increase; nevertheless, this permits the two bedroom voucher payment standard to reach $1,034 (113% of the FMR) in the highest priced suburbs. See Appendix III for a listing of the voucher payment standard for each suburb surveyed.

The chart below shows FMRs in dollars per month beginning with fiscal year 1995 when this report was first published.

Fair Market Rent for 2-bedroom unit
Twin Cities Metro Area



FMRs are set by HUD effective October 1 for the following Fiscal Year (10/1 - 9/30). FY2003 began October 1, 2002

NOTE: Also see the Appendix II "Housing Choice Vouchers and the Voucher Payment Standard" for an explanation of the relationship between the Fair Market Rent and the Voucher Payment Standard, which is the actual market value of a voucher.