The

Section 8 Report #10

November 2004

Vouchers Thwarted and Threatened

Landlords Limit Tenants' Choice While Bush Administration Jeopardizes Program

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

HOME Line • 3455 Bloomington Avenue • Minneapolis, MN 55407 • 612/728-5770
www.homelinemn.org

ACKNOWLEDGMENTS

This report was prepared by volunteers and staff of HOME Line. The calls were made by Minnesota Justice Foundation (MJF) volunteers Christine Callahan and Dan Ehrlich, and HOME Line organizers Mary Gleason, Melissa Rudnick, Darielle Dannen and Eric Hauge. Graphics were provided by Eric Hauge. Beth Kodluboy, HOME Line's executive director, coordinated data collection and processing. Beth Kodluboy wrote the report, with the help of 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 Community Action for Suburban Hennepin, CASH, 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 Low Income Housing Coalition, and the National Housing Law Project.

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HOME Line's tenth annual survey of the acceptance of Section 8 vouchers in Anoka, Dakota, and suburban Hennepin Counties, Minnesota

Table of Contents

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SUMMARY

- HOME Line's tenth annual survey to measure acceptance of Section 8 vouchers in suburban Hennepin County reached 324 complexes. For the fourth year, we also surveyed rental complexes in Anoka County (110 complexes), and Dakota County (119 complexes). A total of 67,236 rental units are covered by this year's report (42,231 in suburban Hennepin, 7,782 in Anoka, and 17,223 in Dakota); this represents 55.3% of all rental housing in the surveyed areas.

- Landlords' refusal to accept Section 8 continues to drastically reduce the effectiveness of the program. Despite high Section 8 rent limits and a high vacancy rate, only one-third (33.5%) 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.

- Last year when we conducted our survey, Metro area housing agencies administering Section 8 vouchers reported that more than 24,000 households were on their voucher waiting lists. Due to HUD administrative changes, many housing authorities have been unable to give anyone a voucher and take them off of their waiting lists. Most of the voucher waiting lists are closed, with wait times that range from two and a half to five years.

- Since last year's survey HUD raised the rent limits for Section 8 vouchers to $951 for two-bedroom units, a 4.3% 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 two-bedroom rents up to $1,046.

- The increase in the voucher's value meant that four out of five (80.9%) of all units surveyed fell within the rent limits for Section 8, about 1% less than last year. In Anoka County, nearly all of the units surveyed (91.1%) had rents at or below the voucher payment standard. In Dakota County the rate was 83.2%. Suburban Hennepin County, at 78.0%, had the lowest percentage of its units with rents qualifying for Section 8.

- The vacancy rate dropped slightly from 7% in 2003 to 6.7% this year. This continued soft market may account for the reduction in the number of owners imposing minimum income restrictions that disqualify virtually all Section 8 tenants. Last year 3,322 units had such minimum income restrictions; this year the number was down to 1,833 units.

- In April, HUD unilaterally implemented administrative changes which forced the housing authorities to make immediate cuts to the Section 8 Voucher program. Many of the housing authorities in our survey lowered their voucher payment standards which had the immediate impact of making 928 units no longer rent-eligible to Section 8 voucher holders. These changes were made just before our survey calls were made in August. Our survey, which was conducted in the month of August, therefore reflects only the initial impact of these changes. Without these changes, the 2004 and 2003 results might have been exactly alike. With the changes, voucher holders had a slightly harder time using their vouchers in August/September of 2004, then in August/September 2003.

INTRODUCTION

Since 1995, HOME Line has surveyed suburban rental housing complexes to determine where tenants with "portable" Section 8 housing vouchers can actually use them. The survey 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 553 complexes: 324 in suburban Hennepin County, 110 in Anoka County, and 119 in Dakota County. These include a total of 67,236 rental units or 55.3% 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 or not there were any minimum income requirements and if so, 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 voluntary 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 rent level that establishes the Voucher Payment Standard (VPS), the purchasing power of the voucher.

Four years ago, in 2000, our survey captured a picture of the market at its "hottest." Rents were soaring with the pre-recession 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 two-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 has been profoundly transformed. Rents have decreased slightly and the apartment vacancy rate is 6.7%. Although this is down slightly from a high of 7% last year, it is still a high vacancy rate, and 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 set the voucher value at $951, $139 above the average rent. In fact, four-fifths of all the units we surveyed this year had rents within the voucher limit.

Despite this, only a third of all units in our survey had owners willing to accept Section 8 tenants. Only 33.5% of the 67,236 surveyed apartments had owners ultimately willing to rent to Section 8 tenants. While this is an improvement from years prior to 2003, it is still a measure of considerable landlord bias. Whether this bias is against aspects of the voucher program, against voucher holders themselves, or both, 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 66.5% of the market off limits to the voucher holders.

This April, HUD's administrative changes reversed 30 years of policy practice that supported the Voucher program. Many of the housing authorities in our survey were forced to implement changes that restricted the use of Section 8 vouchers. Many of the changes occurred just prior to our survey, and the initial impacts were only just beginning to occur. A discussion of these changes is included in the section entitled "Bush Administration Weakens Voucher Program".

The results of this survey, then, measure how federal policy and market conditions influence landlords' willingness and ability to participate in the voucher program and, ultimately, how this affects the ability of tenants with vouchers to get housing.

FINDINGS

In late summer of 2004 HOME Line conducted its tenth 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 four 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.

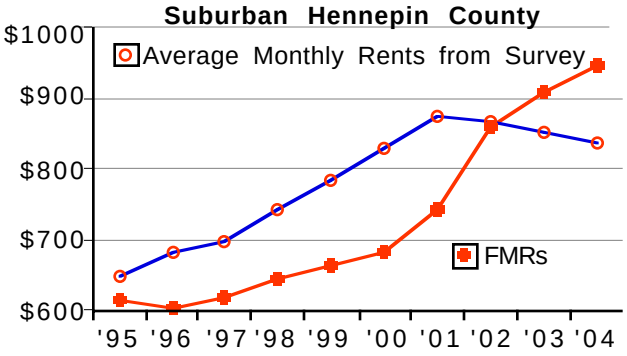
Survey covers over half of all rental units in Anoka, Dakota, and suburban Hennepin counties

This year's survey again covered Anoka, Dakota and suburban Hennepin Counties. 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	324	110	119	561
Number of units in survey	42,231	7,782	17,223	67,236
Surveyed units as a percent of total	56%	43.9%	60.3%	55.3%

Compared to three years ago, 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. In 2000 the two-bedroom "fair market rent" (FMR) in the Twin Cities area was $684; it rose to $951 at the time of this year's survey. For the third year in a row the average rent of the units in our survey declined slightly. And for the second 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 continued softness in the area rental market have again brought a higher percentage of units within the Section 8 limits. Almost all (91.1%) of Anoka County units surveyed met the rent qualification. Almost four-fifths (78%) of the units in suburban Hennepin County qualified this year, as did those in Dakota County (80.9%). 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 2004 survey	42,231	7,782	17,223	67,236
Units with rents within VPS	32,946	7,092	14,335	54,373
Percent of units with rents within VPS	78.0%	91.1%	83.2%	80.9%

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

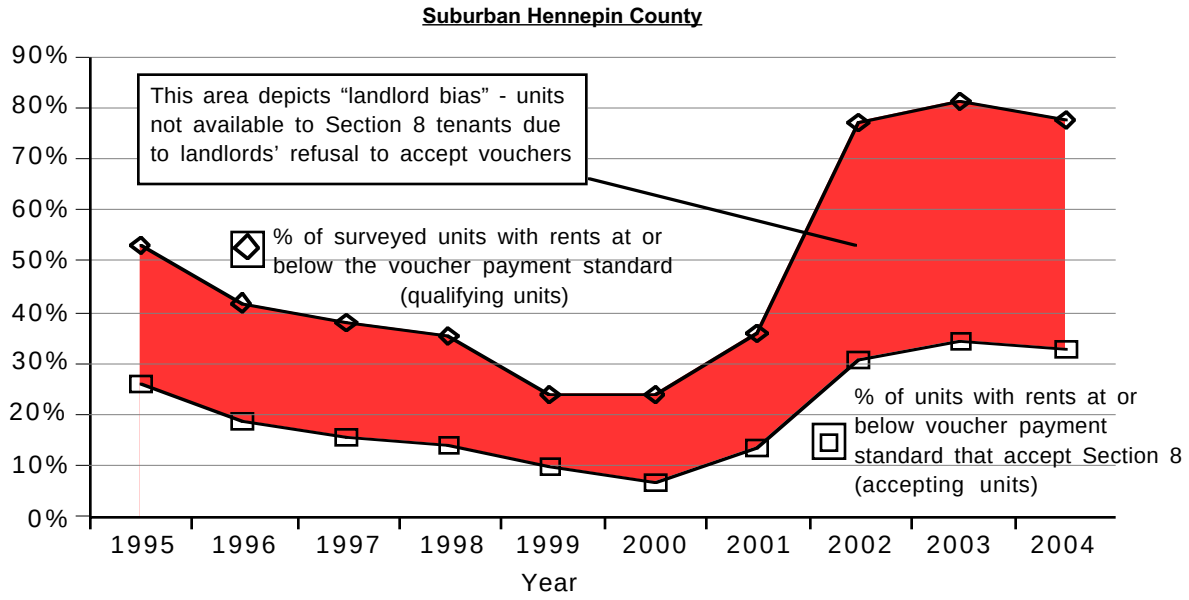
As discussed below (see page 6-7), HUD's administrative changes occurred just late enough in our survey cycle to have little effect on this year's results. Otherwise, the voucher market was similar to last year; the local vacancy rate was similar, rents were similar, and until the HUD changes, government policy was unchanged. Thus it is not surprising that the fraction of "accepting units" - the percent of units with rents under the voucher payment standard and which accept vouchers dropped a mere 1.3 percentage points from 37.5% in 2003 to 36.2% in 2004.

Our study shows that 66.5% of the total number of units surveyed remain "off limits" to Section 8 voucher holders despite the fact that 80.9% 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 (i.e. Housing Choice Vouchers). However, if landlords are free to decide whether or not 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 only one-third (33.5%) 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.), from their bias 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 as documented in this survey results in a program that does not deliver as promised.

The slight decrease in qualifying units this year (80.9% in 2004 and 82% in 2003) can probably be attributed to HUD administrative changes that forced local housing authorities to make cuts to their programs. Housing Authorities lowered the Voucher Payment Standard and as a result 928 units in our survey were no longer within the rent limits of Section 8. Other changes local housing authorities were forced to make may account for the coinciding drop in accepting units (36.2% in 2004 and 37.5% in 2003). Landlords worrying about the future stability of the program were just starting to feel the impact of these changes, which were made just prior to our survey, and are detailed later in our report in the section entitled "Bush administration weakens program".

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.



Landlords' minimum income requirements bar voucher holders from 1,833 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 1,833 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.

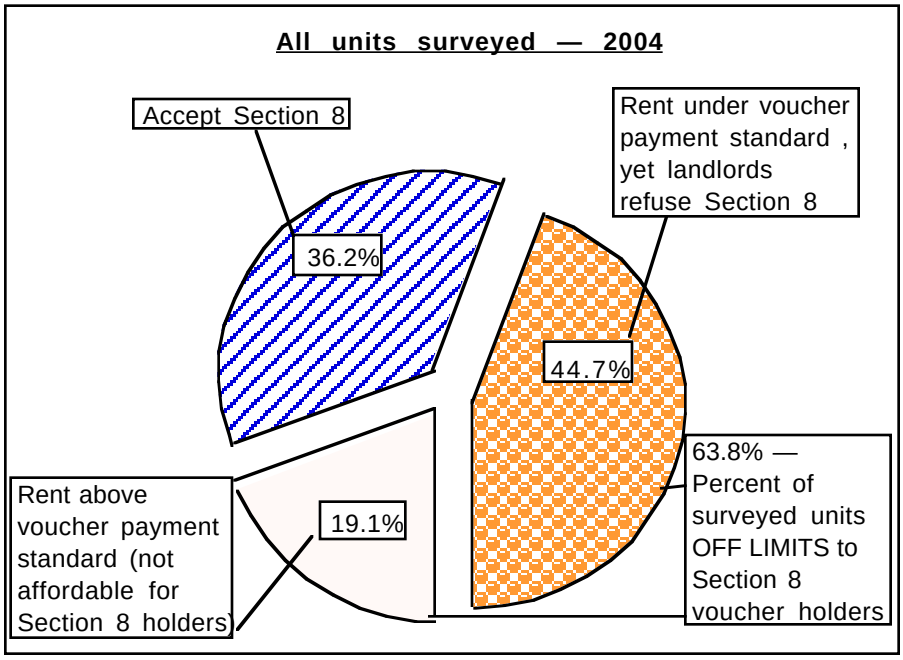
To illustrate, if the rent is $800 and the multiplier is three, an applicant would need to have a $2,400 monthly income to qualify. This is an annual income of $28,800; to earn that much requires an hourly wage of $13.85 working full time. According to the agencies issuing vouchers, almost all their applicants have significantly lower incomes.

According to Minnesota NAHRO, the 2004 average income for a family with a voucher is $11,212, or $5.39 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 almost the entire monthly income of the "average" tenant, so virtually any multiplier would disqualify him or her.

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 at right. (Results for all areas surveyed are summarized in the graph at the right.) This year's bottom line is that nearly two-thirds of all units surveyed are still unavailable 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	42,231	7,782	17,223	67,236
Units w/in VPS and accept Sec. 8	14,087	3,393	6,858	24,338
Units with income requirements that exclude Section 8 tenants	483	96	1,254	1,833
Units affordable and available to Section 8 tenants w/o restrictions	13,604	3,297	5,604	22,505
Percent of units affordable and available to Section 8 tenants w/o restrictions	**32.2%**	**42.4%**	**32.5%**	**33.5%**

Voucher waiting lists continue to grow

National statistics indicate that only one in five income-eligible households actually get 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.

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 years. Even when a tenant is able to get on a list, few to none are actually receiving vouchers, even after waiting for four to five years. Last year, the agencies in the survey area estimated the need in their communities for Section 8 assistance; the total was more than 24,000 vouchers. With their waiting lists closed, the demand is certainly much higher.

BUSH ADMINISTRATION WEAKENS VOUCHER PROGRAM

For 10 years, HOME Line's Section 8 Survey has focused on the value of the Section 8 voucher in the private market. By documenting the usefulness of vouchers in the market place, this report has helped policy makers understand the extent to which Section 8 vouchers are working in providing affordable housing.

While there has always been room to improve the acceptance of vouchers, public support has always made this program one of the true private-market/public solutions for affordable housing. Now this relationship is threatened. Recent actions taken by the Bush administration threaten the trusting relationship developed with landlords, the supply of vouchers, and the consistency of a uniform national program.

The results of our survey show the beginning impacts of the administrative changes by HUD. These changes that are championed by the Bush administration through both HUD and Congress, will make the acceptance of Section 8 in the market place meaningless in an environment where there are no vouchers available to those who need them.

An excellent overview of these issues is written by Barbara Sard, "Funding Instability Threatens to Erode Business Community's Confidence in the Housing Voucher Program" October 14, 2004, and is available at the Center on Budget and Policy Priorities website at http://www.cbpp.org/10-14-04hous.htm

Administration's 2004 HUD Administrative Changes

In April, HUD made sudden and unanticipated administrative changes to this program which immediately threatened the solvency of more than half the nation's local housing authorities who administer the Section 8 voucher program, and threatened the Section 8 vouchers of at least 2,200 Minnesota families and almost 60,000 families across the country.

HUD construed contrary to most people's interpetation language in the 2004 appropriation bill from Congress and retroactively made cuts to the housing agencies who administer and provide the Section 8 vouchers. Since the money paid by HUD to local housing agencies is primarily used directly for subsidies to tenants, with a small portion going towards administrative costs, Housing Authorities were forced to make immediate and devastating cuts to the program.

As a result of HUD's changes, Metro Housing and Redevelopment Authority(HRA) the housing agency administering most of Anoka and suburban Hennepin counties, was compelled to stop approving owner requests for rent increases. Metro HRA also lowered it's voucher payment standards and will only permit current voucher holders to move to units with the same or lower rent. The Dakota County Community Development Agency (CDA) withdrew vouchers from 20 families searching for new units, prohibited current voucher holders from moving to more expensive units, reduced payment standards effective June 1, adopted a $50 minimum rent, and was also forced to use HOME funds and local property tax revenue to cover a remaining shortfall. The Bloomington Housing and Redevelopment Authority lowered its payment standard. Other housing authorities in our survey reduced their payments standards and added restrictions further eroding landlord confidence in the program. (see Appendix IV)

Local tenant advocacy organizations, including HOME Line, organized tenants and the advocacy community to stop these cuts and publicize the problems that HUD was creating in a program that had operated with full bipartisan support for over 30 years. Working with local housing authorities and Minnesota's Congressional delegation, we were able to publicly show the damage to both the tenants and the landlords who participate in this private-market program.

Because of this public pressure, at the end of August, HUD released money to 379 Housing Authorities across the nation. It is not clear how HUD determined which housing authorities would receive this money. Even in cases where local housing authorities received the money, restrictive new policies the local HRAs had to adopt to address HUD's action in April are still in place and impacting voucher holders. Local housing authorities are understandably leery about reversing the policy changes, or giving tenants vouchers and taking them off waiting lists, knowing what HUD has done this year and the Bush administration's announced plans to cut the voucher program in the 2005 budget.

Administration's 2005 HUD Budget Proposed Severe Section 8 Cuts

Much like last year, the Administration proposed block granting and cutting funding to the Section 8 voucher program. Unlike last year, the proposal would not have the states run the program, but would have the housing authorities who administer the programs receive a lump a sum of money with the ability to structure the program. This would eliminate the uniformity of the program throughout the country. Owners who have to deal with multiple programs and ever changing policies will be less likely to participate, further reducing the available units for voucher holders. The budget also calls for severe funding cuts, estimated to be $1.6 billion short of fully funding the program at it's current level.

Congress is expected to pass the budget in the next week for Fiscal Year 2005. Although both the House and the Senate versions appear to restore the Administration's proposed funding cuts to the Section 8 voucher program, they also both contain language that would result in serious funding shortfalls for the housing agencies who administer these programs. This would again force cuts to the local housing agencies who have already made serious cuts, laid off staff, and restricted vouchers.

HUD's Proposed Reduction in Fair Market Rents

In August, HUD changed the normal procedure for implementing changes to the Fair Market Rents (FMRs). Normally, the proposed FMRs are released in May and give the public four months to make comments. The process was hurried this year and it wasn't until August that the proposed new FMRs were released for public comment. There were problems across the country with HUD changing the sizes of metro areas, sharply affecting the value of the vouchers. With the shortened time for local response, local data could not be considered before the local FMRs went into effect on November 1.

Fortunately, for the Twin Cities Metropolitan Region (Minneapolis, St. Paul and their suburbs), this particular change in HUD's procedure did not affect the local FMRs. The FMRs did change with the two-bedrooom FMR dropping for 2003's $951 to 2004's $928, but the drop reflected a drop in local rents (a rent decrease measured by our survey as well as by HUD's).

For holders of vouchers for three-bedroom or larger units, it is more difficult for voucher holders to find housing. HUD's new changes will drop the FMRs for three-bedroom and larger units for half of the nation's voucher holders. While our survey focuses on two-bedroom apartments, it is important to note that HUD dropped the three-bedroom market rent in the Twin Cities Metro Area by $57, from $1,286 to $1,229.

In areas where FMRs have been substantially cut, HUD is requiring housing authorities to compare rents in non-subsidized units to see if the cuts are reasonable. Housing agencies who were forced to make large cuts this summer with the HUD administrative changes may not have the capacity to take on these administrative burdens.

NEED FOR IMPROVEMENTS IN THE PROGRAM

Despite the evidence pointing to a real need to improve aspects of the program to appeal to more landlords, the changes made by HUD in April and the Bush administration's proposed block granting and program cuts in the 2005 budget that will have precisely the opposite effect.

Clear direction needs to be given by Congress and HUD to the stakeholders, (tenants, landlords, housing authorities, elected officials and the public) that the Section 8 program will be fully funded. While the Section 8 voucher program would benefit from more participation from landlords, it is still a cost-effective program involving the the private market. This program helps to deconcentrate poverty and is an important piece in the affordable housing picture which has enjoyed wide bipartisan support for over thirty years.

The funding formula used to calculate how much money housing authorities need to administer their programs needs to be based on actual costs and given to housing authorities in a timely manner to fully fund the vouchers allocated to each housing authority.

HUD administrative changes made in April were shortsighted, made suddenly, retroactively, and without Congressional or public input. Without open public process, local housing agencies were forced to make drastic changes to the program that threaten it's credibility with the landlord community who participate in the program. Changes to the Section 8 program should be made in the open through the public legislative process, with all parties involved, not through retroactive policies announced in memos with unilateral actions taken by HUD.

Despite the difficulties Section 8 tenants experience in both receiving and in using their vouchers, demand for the program remains extremely high. Last year, a poll of housing agencies that issue vouchers in the metro area revealed more than 24,000 people on waiting lists. This year, all but one of the housing agency waiting lists in our survey have been closed for new applications. Bloomington opened its waiting list for one day and was deluged by 4,000 calls. (See Appendix IV).

To make the program more effective in meeting the overwhelming 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.

APPENDIX I: About the Survey

When and where it was conducted

The survey was conducted by telephone during the summer and fall of 2004. 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 553 apartment complexes containing 67,236 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 55.2% overall. It breaks down as follows: Anoka County - 44.0% (7,782 surveyed out of 17,699); Dakota County - 60.4% (17,223 out of 28,530); suburban Hennepin County- 56.0% (42,231 out of 75,392).

We called as potential consumers and spoke to the first person who answered the phone. Our callers spoke to whomever answered so 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. 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 VPS are shown in Appendix III, "VPS 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. The voucher payment standard is supposed to cover "housing cost" which includes household utilities (except phone and cable), so 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 1,833 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 it's 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 VPS for their area. 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, "VPS by City," for the VPS 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: VPS by City

Voucher Payment Standards (VPS) in Effect at Time of Survey

two-bedroom apartment

The Voucher Payment Standard (VPS) can be set between 90-110% of the Fair Market Rent (FMR) without HUD approval; higher VPS (up to the maximum of 120% of the FMR) require HUD approval. The HUD-set Metro Area two-bedroom FMR during the survey was $951.

The Metro Council HRA which issues vouchers used throughout the 7-county metro area has set its VPS at $933, 98% of the FMR.

Anoka County

City	VPS	% of FMR*
Anoka	933	98%
Blaine	933	98%
Centerville	933	98%
Columbia Heights	933	98%
Coon Rapids	970	102%
Fridley	933	98%
Hilltop	933	98%
Ramsey	933	98%
Spring Lake Park	933	98%
St. Francis	933	98%

Dakota County

City	VPS	% of FMR*
Apple Valley	903	95%
Burnsville	903	95%
Eagan	903	95%
Farmington	903	95%
Hastings	903	95%
Inver Grove Heights	903	95%
Lakeville	903	95%
Lilydale	903	95%
Newport	903	95%
Rosemount	903	95%
South Saint Paul	855	90%
West Saint Paul	903	95%

suburban Hennepin County

City	VPS	% of FMR*
Bloomington	951	100%
Crystal	933	98%
Brooklyn Center	933	98%
Brooklyn Park	933	98%
Champlin	933	98%
Chanhassen	933	98%
Crystal	933	98%
Eden Prairie	982	103%
Edina	982	103%
Excelsior	933	98%
Golden Valley	933	98%
Hopkins	933	98%

City	VPS	% of FMR*
Maple Grove	982	103%
Maple Plain	933	100%
Minnetonka	982	103%
Mound	933	98%
New Hope	933	98%
Osseo	933	98%
Plymouth	1,034	109%
Richfield	951	100%
Robbinsdale	933	98%
Spring Park	933	98%
St. Louis Park	951	100%
Wayzata	933	98%

APPENDIX IV: HRA Survey Results

2004 HRA Waiting List Survey

Agency	Current VPS	VPS change since Aug 1?	Number of vouchers in authority	Average time spent on waiting list	How often waiting list is open	Estimated need for vouchers
Metro HRA	$933	Yes, was $980 before July 1	5,871	3 to 5 years	Has been closed since December 2001	There are over 6,600 on the waiting list
Bloomington HRA	$951	Yes, was $1,034 before July 1	525	Unknown List is over 4,200 now	Closed since 2002 (except for 1 day in Feb. '04)	5,000-10,000 total (when it was open in Feb. '04 for 1 day, 4,000 called)
So. St. Paul HRA	$855	Yes, was $951	303	2 years	Last open July 2002	Approximately 500 total
Richfield HRA	$912	Yes, was $951	226	4 to 5 years	Maybe in 4 to 5 years	Approximately 1,111 total (on wait list)
Dakota Co. CDA	$903		2,202	2 - 4 years	Not for 2 1/2 years, probably 1 1/2 more	1,600 on waiting list - not sure of exact need
Plymouth HRA	$1,034		177 390 w/ port-ins	1 to 3 years (48 on wait list) 6mo-1yr when list open	Last open 3 1/2 years ago	Approximately 50 more
St. Louis Park HRA	$951	Yes, was $958	265	2 to 5 years	Hasn't opened for 3 years	Unsure of need

APPENDIX V: FMRs

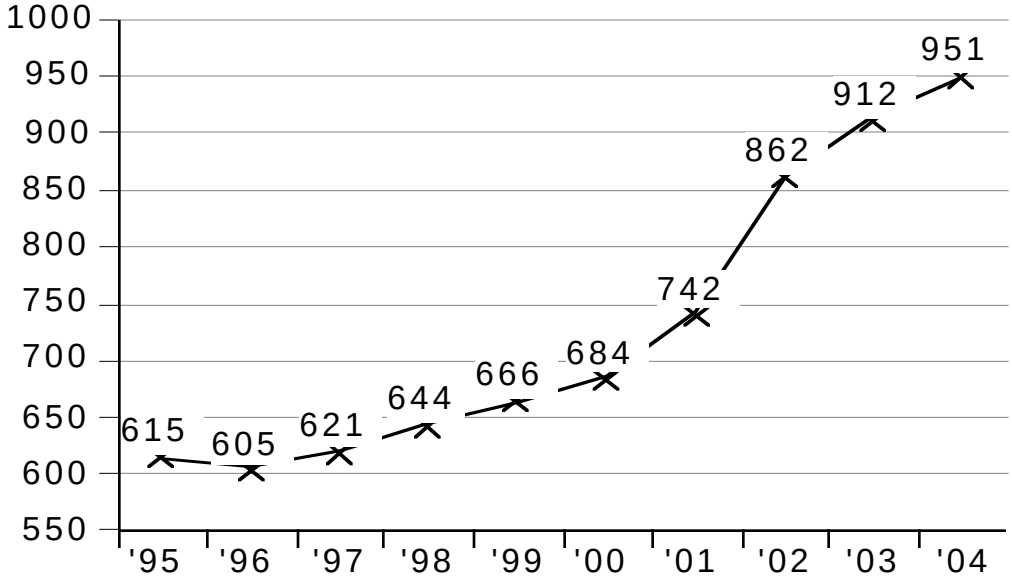
Twin Cities Metro Area Fair Market Rents (FMRs)

	Efficiencies	1 bedroom	2 bedroom	3 bedroom	4 bedroom
FMRs in effect at time of survey	578	743	951	1,286	1,457

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, 2003 and were in effect during the time of our survey represent about a 4% increase, smaller than last year's 6% increase, and considerably smaller than 2002's 16% increase; nevertheless, this permits the two bedroom voucher payment standard to reach $1,034 (109% 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 two-bedroom unit
Twin Cities Metro Area



FMRs are set by HUD effective October 1 for the following Fiscal year (10/1 - 9/30). FY 2004 began October 1, 2003

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.