Inside:
The Growing
Wait For Section 8

The

Section 8 Report #12

November 2006

The annual survey of the acceptance and value 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; Harriet Bildsten, and Stacy Deerym from the University Of Minnesota; and Nathaniel Dahl and Sara Sitzmann from the University of St. Thomas and HOME Line staff members Paul Birnberg and Eric Hauge. Beth Kodluboy, HOME Line's Executive Director, provided graphics and 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 conduct 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, the Center on Budget and Policy Priorities and the National Housing Law Project.

Funding for HOME Line's work comes from the Family Housing Fund, The McKnight Foundation, The Minneapolis Foundation, Greater Minnesota Housing Fund, Minnesota Department of Human Services and Public Health, Hennepin County Homeless Prevention Program, The St. Paul Foundation, Surdna Foundation, Bush Foundation, Otto Bremer Foundation, The Jay and Rose Phillips Foundation, Hugh J. Andersen Foundation, Minnesota State Bar Foundation, Leonard Street and Deinard Foundation, Fredrikson and Byron Foundation, St. Paul Travelers Foundation, Hennepin County. McNeely Foundation, individual donors, Suburban Ramsey County, Suburban Hennepin County, and the cities of Bloomington, Plymouth, Eden Prairie, Minnetonka, Maple Grove, New Hope, Richfield, and Edina.

Section 8 Report #12

November 2006

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

Table of Contents

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

SUMMARY

- HOME Line's twelfth annual survey measuring acceptance of Section 8 vouchers in suburban Hennepin County reached 317 complexes. For the fifth year, we also surveyed rental complexes in Anoka County (100 complexes) and Dakota County (116 complexes). A total of 65,945 rental units are covered by this year's report; 41,839 in suburban Hennepin, 7,098 in Anoka and 17,008 in Dakota. This represents 54.2% 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 36.2% 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.

- Metro area housing agencies administering Section 8 vouchers report even longer waiting times for families on waiting lists. Most of the voucher waiting lists are closed, with wait times that range from two-and-a-half to seven years. Between waiting for the wait list to open and time spent on the list itself, a person attempting to get a voucher through Metro HRA should expect to wait up to 10 years.

- Since last year's survey, HUD lowered the rent limits for Section 8 vouchers to $855 for two-bedroom units, a 7.9% decrease.

- The decrease in the voucher's value meant that 69.2% of all units surveyed fell within the rent limits for Section 8, about 5.5% less than last year and 11.5% less than two years ago. In Anoka County, 88.5% had rents at or below the voucher payment standard. In Dakota County the rate was 78.2%. Suburban Hennepin County, at 62.3%, had the lowest percentage of its units with rents qualifying for Section 8.

- At the time of our survey in August, the vacancy rate had dropped from 5.6 to 4.8%. Currently it is at 4%. With a vacancy rate under 5% for the first time in four years, the market is beginning to tighten for voucher holders. Though lower than last year, the preceding soft market may account for the reduction in the number of owners imposing minimum income restrictions that disqualify virtually all Section 8 tenants. This year 1,482 units had such minimum income restrictions.

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 having suburban Hennepin County 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 those two counties to our survey.

This year's survey reached a total of 533 complexes: 317 in suburban Hennepin County, 100 in Anoka County and 116 in Dakota County. The survey includes a total of 65,945 rental units or 54.2% 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 choice 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.

Five 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: $684 for a two-bedroom unit 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 three years the market profoundly transformed. Rents decreased slightly and the apartment vacancy rate was 5.6% last year, down slightly from 6.7% two years ago. The current vacancy rate, at 4.8%, is for the first time in three years lower than the 5% vacancy rate 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 last year set the voucher value at $928, which was $80 above the average rent. In fact, three-fourths of all the units we surveyed last year had rents within the voucher limit. This year HUD changed the FMR rent back to pre-2000 levels, setting the FMR at $855. Many of the HRAs in our survey either cut rents or went to the highest exception rent possible to keep voucher holders from losing their current rent levels. The HRAs staying at their current VPS by using the exception level accounts for the loss of 5.4%, or 3,524 units, under Voucher Payment Standards

Only about a third of all units in our survey had owners willing to accept Section 8 tenants; 32.4% of the 65,945 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, the voucher holders themselves, or both, it illustrates how owners' bias affects Section 8 tenants' ability to get housing.

We are left to conclude that, with the market beginning to tighten and the end of the "best of times" for voucher holders, lots of vacant apartments, rents only rising slightly, and HUD's setting the value of a voucher higher than average market rents -- the Housing Choice Voucher does not live up to its name when owners place 67.6% of the market off limits to the voucher holders.

In summary, the results of this survey 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 2006 HOME Line conducted its twelfth 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 five years we have 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.

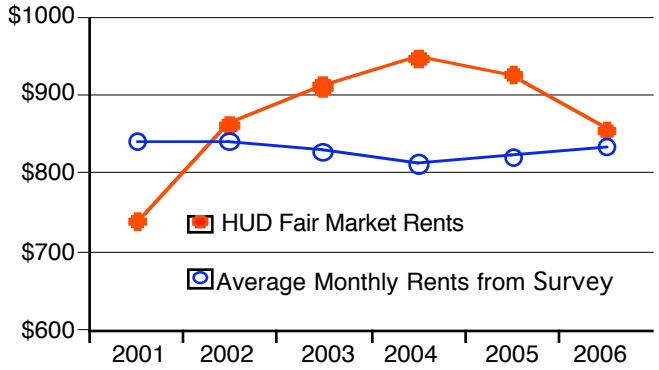
Survey covers over half of all rental units in Anoka Dakota, and suburban Hennepin counties

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	317	100	116	533
Number of units in survey	41,839	7,098	17,008	65,945
Surveyed units as a percent of total	55.5%	40.1%	59.6%	54.2%

FMRs decrease, average rents increase: fewer units surveyed have rents within the Section 8 program limit

In 2004 the two-bedroom fair market rent (FMR) in the Twin Cities area was $951. Last year HUD reduced the FMR to $928. This year it went to $855. Average rents increased for the second year in a row, increasing by $10 to $836. For the fourth year in a row 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 decreases in FMR, combined with the increased average rent in the area rental market, has again reduced the percentage of units within the Section 8 limits. Overall, the units within the Section 8 program limit dropped from 80.9% two years ago to 69.2%, an 11.7% decline. Still, 88.5% of Anoka County's units surveyed met the rent qualification. 62.3% of the units in suburban Hennepin County qualified this year and in Dakota County 78.2%.

	Suburban Hennepin	Anoka	Dakota	All areas Surveyed
Number of units in 2006 survey	41,839	7,098	17,008	65,945
Units with rents within VPS	26,080	6,280	13,298	45,658
Percent of units with rents within VPS	62.3%	88.5%	78.2%	69.2%

Landlords' refusal to accept Section 8 limits the effectiveness of the voucher program

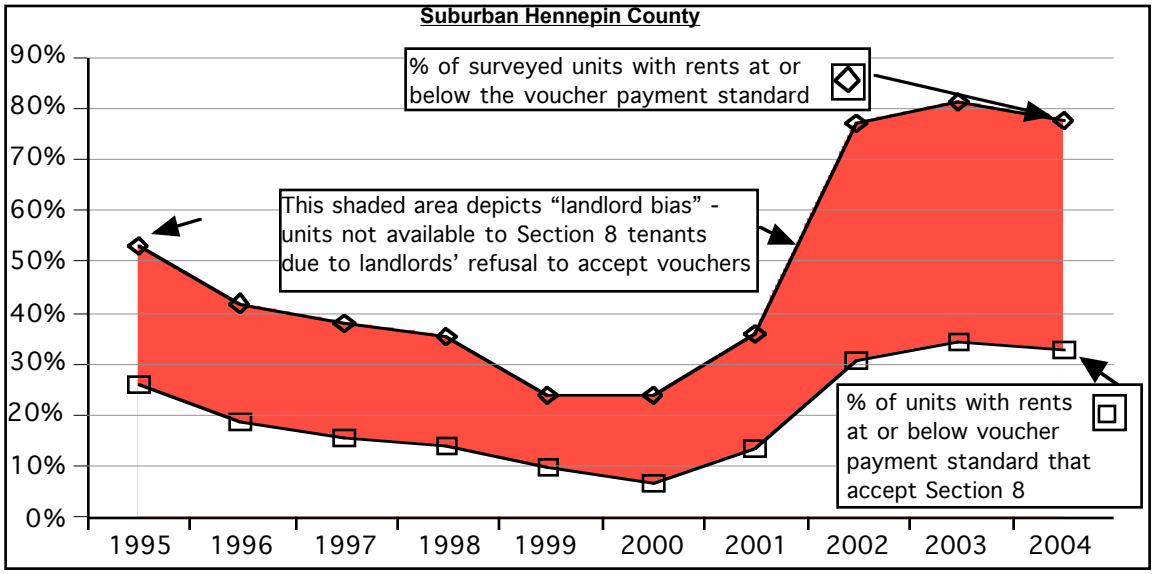
This year's voucher market is tighter than last years; the local vacancy rate was slightly lower and rents slightly higher. Thus it is not surprising that the fraction of "accepting units" - the percent of units with rents under the voucher payment standard and which accept vouchers - decreased 3.1 percentage points, from 37.8% in 2005 to 34.7% in 2006.

Our study shows that 65.3% of the total number of units surveyed remain "off limits" to Section 8 voucher holders despite the fact that 69.2% 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 (e.g., they are called "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 (34.7%) would accept voucher holders. Whether this stems from owners' concerns about aspects of program administration (e.g., extra paperwork, unit inspections by housing agencies) or 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 decrease in qualifying units over the past year (74.6% in 2005 and 69.2% in 2006) can probably be attributed to the decreased vacancy rate, increased rents and decreased FMRs.

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 1,482 units

A unit may have a rental rate 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 1,482 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.

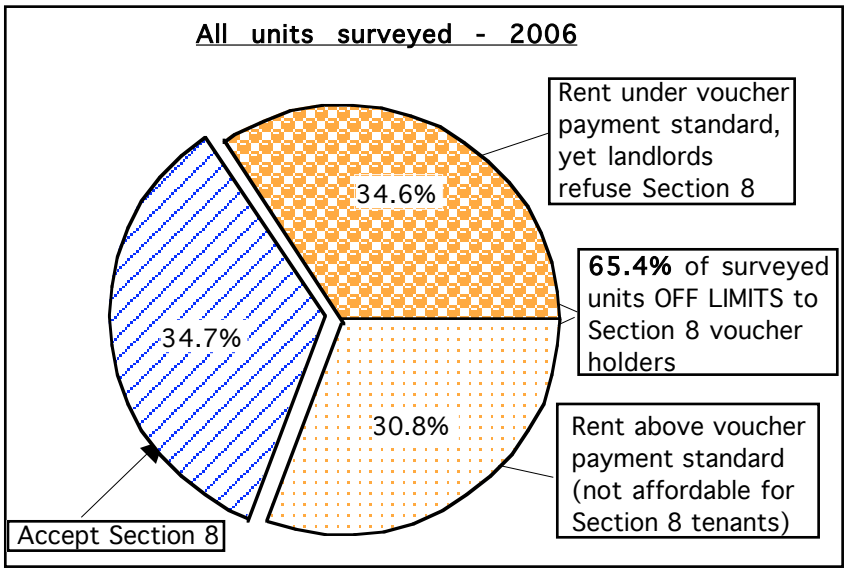
To illustrate, if the rent is $800 and the multiplier is three, an applicant would need to have $2,400 in monthly income, an annual income of $28,800. To earn that much requires an hourly wage of $13.85 working full time. According to the agencies issuing vouchers, almost all their applicants have significantly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

According to Minnesota NAHRO, the National Association of Housing and Redevelopment Officials, the 2004 average income for a family with a voucher is $11,212 annually, 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. These bottom line numbers are 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 nearly two-thirds of all units surveyed are still unavailable for tenants with vouchers.



	Suburban Hennepin	Anoka	Dakota	All areas surveyed
Number of units in survey	41,839	7.098	17,008	65,945
Units w/in VPS and accept Sec. 8	12,159	3,425	7,282	22,866
Units with income requirements that exclude Section 8 tenants	357	291	834	1,482
Units affordable and available to Section 8 tenants w/o restrictions	11,802	3,134	6,448	21,384
Percent of units affordable and available to Section 8 tenants w/o restrictions	28.2 %	44.2%	37.9%	32.4%

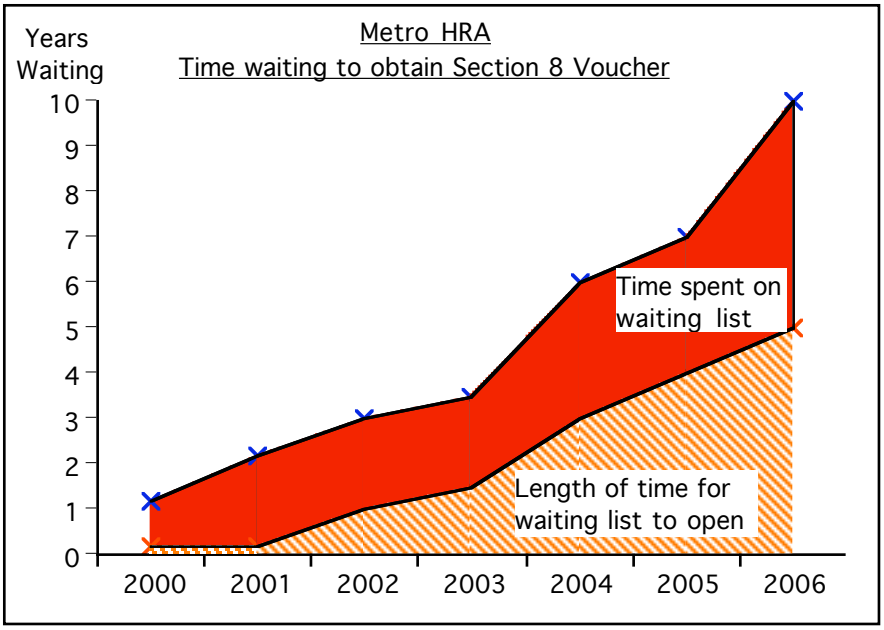
Voucher waiting lists continue to grow

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. The wait can be up to seven years in the Twin Cities metro area, and that's only if a waiting list is opened to receive more applicants.

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 actually receive vouchers, even after waiting for three-to-five years. With their waiting lists closed, the demand is certainly much higher.

The wait for a person attempting to get a voucher is at an all time high since HOME Line began surveying in 1995. The graph below illustrates how dramatically the waiting list and the wait to get on that list, has grown in the last six years. The Metro HRA is the state's largest provider of Section 8 vouchers and this illustrates the dire waiting list situation in the Twin Cities Area.



BUSH ADMINISTRATION WEAKENS VOUCHER PROGRAM

For 12 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 made this program one of the true private-market/public solutions for affordable housing. This relationship is threatened again. Actions taken over the last several years by the Bush administration and Congress threaten the trusting relationship developed with landlords, the supply of vouchers, and the consistency of a uniform national program.

The changes championed by the Bush administration, both through administrative changes within HUD and legislation in Congress, would 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.

2004 HUD Administrative Changes reinforced by Congressional Actions

In April 2004 HUD made sudden and unanticipated administrative changes to the Section 8 voucher program. These changes immediately threatened the solvency of more than half the nation's local housing authorities who administer the Section 8 voucher program as well as the Section 8 vouchers of at least 2,200 Minnesota families and almost 60,000 families across the country.

HUD 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 toward 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 (Metro HRA), the housing agency administering most of Anoka and suburban Hennepin counties, was compelled to lower its voucher payment standards. The Dakota County Community Development Agency (Dakota CDA) withdrew vouchers from 20 families searching for new units, prohibited current voucher holders from moving to more expensive units, reduced voucher payment standards, and adopted a $50 minimum rent. They were 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 reduced their payment standards, limited portability, and shelved vouchers to cut costs. Additionally, many housing authorities asked landlords to "freeze rents", further eroding landlord confidence in the program.

Furthering this problem, Congress passed a 2005 and 2006 budget with reduced Section 8 funding, forcing many local HRAs to retain these restrictive new policies negatively impacting voucher holders. Local housing authorities were understandably leery about reversing the policy changes or giving tenants vouchers and taking them off waiting lists, knowing what HUD did in 2004 and knowing the Bush administration's plans to cut the voucher program further.

The funding formula maintained the practice of basing each HRA's voucher funding on out-dated data. For 2006, Housing Authorities appropriated an amount based on their 2005 annual budget for renewal funding, which was based on 2004 budgets. This amount will include a 2006 annual adjustment factor, which is a fixed number set by Congress and not based on any actual operating costs. Then, the HUD Secretary will prorate the Housing Authorities amounts based on the available funding. This funding formula continues to cut the Section 8 voucher program in Minnesota. According to the Center on Budget Priorities and Policies, over 191 Vouchers have been lost in Minnesota since its enactment.

This funding formula allows and forces local housing authorities to restructure their Section 8 Voucher programs, eliminating 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 already inadequate number of available units for voucher holders.

Fiscal Year 2007 HUD Budget will result in more Section 8 Cuts

Congress is currently working on 2007 housing bills that, without changes, will continue to harm the effectiveness of the Section 8 Voucher program. These would again result in serious funding shortfalls for the housing agencies who administer these programs, forcing the local housing agencies to lay off staff and further restrict vouchers. Under the formula in the House appropriations bill, 35 housing agencies in Minnesota would be forced to cut assistance to 659 low-income families in 2007. The voucher funding formula included in the Senate appropriations measure would base agency-funding allocations on leasing and cost data from the previous year. This would result in only 96% of the vouchers in Minnesota being utilized.

Currently Congress is operating under a continuing resolution until it returns December 8th. It is not clear at this time what legislation will be coming out in the final months of this Congress.

HUD's Reduction in Fair Market Rents

On October 1, 2005 HUD changed the FMRs for the Twin Cities Metropolitan Region (Minneapolis, St. Paul and their suburbs). The two-bedrooom FMR dropped from $928 in 2005 to $855 in 2006. HRAs were forced to use the maximum exception rents in order to prevent losing vouchers currently in the market place. This dropping of the FMR removed 3,524 units in our survey from being available to section 8 voucher holders.

NEED FOR IMPROVEMENTS IN THE PROGRAM

Although the evidence shows a real need to improve aspects of the program to appeal to more landlords, the administrative changes made by HUD, combined with previous cuts in the 2006 budget, have precisely the opposite effect.

Congress and HUD need to give clear direction to stake holders (tenants, landlords, housing authorities, elected officials and the public) that the Section 8 program will be fully funded.

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

While the Section 8 voucher program would benefit from more participation from landlords, it is still a cost-effective program involving the private market. This program helps to deconcentrate poverty and is an important piece in the affordable housing picture, explaining the wide bipartisan support the Section 8 program has had over the span of thirty years.

APPENDIX I: About the Survey

When and where it was conducted

The survey was conducted by telephone during the summer and fall of 2006. Cities in Anoka, Dakota and suburban Hennepin counties provided directories of rental housing in their jurisdictions. Such lists were received from 24 cities in suburban Hennepin County, 11 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	South St. Paul
Burnsville	Hastings	Lilydale	West St. Paul
Eagan	Inver Grove Heights	Rosemount	

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 533 apartment complexes containing 65,945 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 54.2% of the units overall. It breaks down as follows: Anoka County - 40.1% (7,098 surveyed out of 17,699); Dakota County - 59.6% (17,008 out of 28,530); suburban Hennepin County- 55.5% (41,839 out of 75,392).

We called as potential consumers and spoke to the first person who answered the phone. Since our callers spoke to whomever answered, we may not have always talked 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 qualifying is almost impossible.

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 suburbs and their two bedroom VPS are shown in Appendix III, "VPS by City."

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, the utility allowance for the unit is $30 and the VPS in that city was $816, the total housing cost of $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 their 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 1,482 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 (VPS). The VPS 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 and 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. Since 2001 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 four 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 as 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 and these become the VPS for their area. They can set it anywhere between 90% to 110% of the FMRs. HRAs can request from HUD exception rents beyond 110% for high cost areas. However, HUD's recent policy of directly reducing the HRAs allocation when exception rents are granted, has had the effect of stopping all communities in our survey from seeking the exception rent.

Using vouchers, tenants pay 30% of their income toward the housing cost. The agency issuing the voucher pays the landlord the remaining rent owed, 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 costs 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 its becoming the new definition of affordable housing.

APPENDIX III: Voucher Payment Standards by City

Voucher Payment Standards (VPS) in Effect at Time of Survey for two-bedroom apartments

The 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 $855.

The Metro Council HRA, which issues vouchers used throughout the seven-county metro area, has set its VPS at $933, which is 109% of the FMR.

Anoka County

City	VPS	% of FMR
Anoka	933	109%
Blaine	933	109%
Centerville	933	109%
Columbia Heights	933	109%
Coon Rapids	933	109%
Fridley	933	109%
Hilltop	933	109%
Ramsey	933	109%
Spring Lake Park	933	109%
St. Francis	933	109%

Dakota County

City	VPS	% of FMR
Apple Valley	940	110%
Burnsville	940	110%
Eagan	940	110%
Farmington	903	106%
Hastings	903	106%
Inver Grove Heights	940	110%
Lakeville	940	110%
Lilydale	940	110%
Rosemount	903	106%
South Saint Paul	928	108.5%
West Saint Paul	903	106%

suburban Hennepin County

City	VPS	% of FMR
Bloomington	900	105%
Crystal	933	109%
Brooklyn Center	933	109%
Brooklyn Park	933	109%
Champlin	933	109%
Chanhassen	933	109%
Crystal	933	109%
Eden Prairie	933	109%
Edina	933	109%
Excelsior	933	109%
Golden Valley	933	109%
Hopkins	933	109%

City	VPS	% of FMR
Maple Grove	933	109%
Maple Plain	933	109%
Minnetonka	933	109%
Mound	933	109%
New Hope	933	109%
Osseo	933	109%
Plymouth	935	109%
Richfield	912	106%
Robbinsdale	933	109%
Spring Park	933	109%
St. Louis Park	882	103%
Wayzata	933	109%

APPENDIX IV: HRA Survey Results

2006 HRA Waiting List Survey

Agency	Current VPS	Number of vouchers in authority	Average time spent on waiting list	How often waiting list is open	Estimated need for vouchers
Metro HRA	933	5885	5-7 years	closed since 12/01	Have 3600 on waiting list. This does not quantify the additional households unable to apply since the list has be closed.
Bloomington HRA	900	525	5 years	every 5 years	848 still on waiting list
So. St. Paul HRA	928	302	2.5-3 years	every 4 years	Unknown
Richfield HRA	912	231	2 years	every 4 years	360 on waiting list
Dakota Co. CDA	Reg1 940 Reg2 903	2,202	3-4 years	every 3+ years	List last opened in September 2005,and immediately had 1,800 applicants
Plymouth HRA	935	225	6-12 months	every 3 years	We get phone calls every day asking if our waiting list is open. The need is high.
St. Louis Park HRA	882	265	1 to 4 years	closed since 5/05	Currently has 2300+ applicants

APPENDIX V: Fair Market Rents

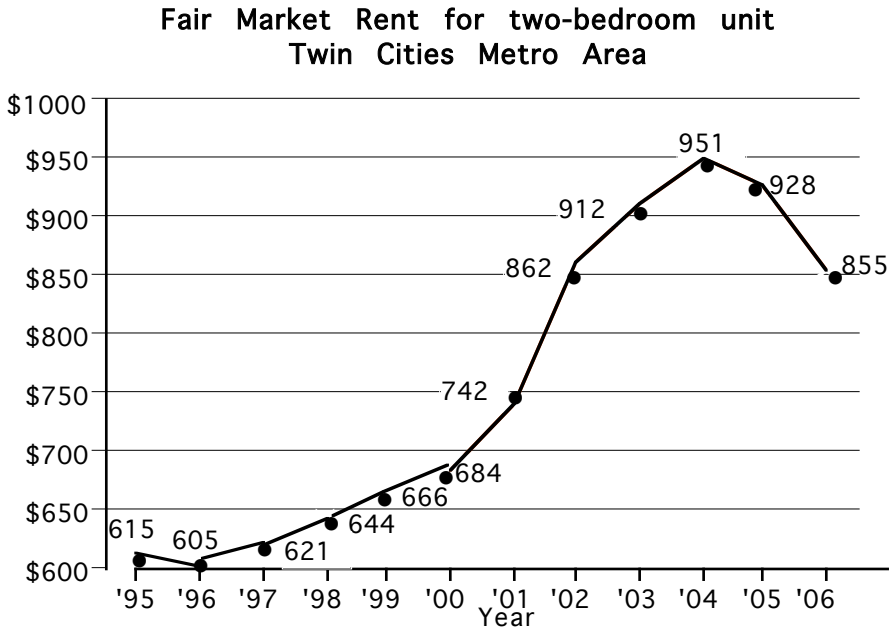
Twin Cities Metro Area Fair Market Rents (FMRs)

FMRs in effect at time of survey

619	Efficiency
725	1 bedroom
855	2 bedroom
1,168	3 bedroom
1,318	4 bedroom

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. In 2006 this was reversed and the rents were set back to the 40th percentile. As a result, FMRs decreased dramatically. This year's FMR's are the lowest since 2002, which permits the two-bedroom voucher payment standard to reach $940 (110% 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.



FMRs are set by HUD effective October 1 for the following Fiscal Year (10/1 - 9/30). FY 2006 began October 1, 2005.

NOTE: Also see 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.