The

Section 8 Report #13

October 2007

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

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ACKNOWLEDGMENTS

This report was prepared by volunteers and staff of HOME Line. The calls were made by Minnesota Justice Foundation (MJF) volunteers Wade H. Abed II, Hanna Everson, Charles Edward Heaton II, and Kelly Ruddy. HOME Line staff members Eric Hauge, Mary Gleason, Linda Harris, Julie Martinez and Valerie Larsen also made calls. Beth Kodluboy, HOME Line's Executive Director, provided graphics and wrote the report with the help of Linda Harris, HOME Line's Federal Public Policy Coordinator, and 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 10,000 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 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-rate rents. HOME Line participates in housing policy advocacy at the state and national levels through its work with organizations such as the Housing Preservation Project, the Minnesota Housing Coalition, 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, Mardag Foundation, Bigelow Foundation, Surdna Foundation, Bush Foundation, Otto Bremer Foundation, Hugh J. Andersen Foundation, Minnesota State Bar Foundation, Leonard Street and Deinard Foundation, St. Paul Travelers Foundation, Ramsey County Bar Foundation, Hennepin County, McNeely Foundation, Suburban Ramsey County, Suburban Hennepin County, and the cities of Bloomington, Plymouth, Eden Prairie, Minnetonka, Maple Grove, New Hope, Richfield, and Edina, as well as individual donors.

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SUMMARY

• HOME Line's thirteenth annual survey measuring acceptance of Section 8 vouchers in suburban Hennepin County reached 315 complexes. This is the sixth year we've surveyed rental complexes in Anoka County (101 complexes) and Dakota County (113 complexes). A total of 65,752 rental units are covered by this year's report: 41,777 in suburban Hennepin, 7,116 in Anoka and 16,859 in Dakota Counties. 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. Only 27.3% 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. This year 1,372 units had minimum income restrictions that disqualified 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 one 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 a wait of 10 to 12 years.

• Department of Housing and Urban Development (HUD) changed the rent limits for Section 8 vouchers in the Twin Cities metro area to $858 for two-bedroom units, an increase of only three-dollars, when rents average an increase of much more annually.

• The decrease in the voucher's value meant that 63.2% of all units surveyed fell within the rent limits for Section 8; 6% less than last year and 17.5% less than three years ago. In Anoka County, 78.6% of the units surveyed had rents at or below the voucher payment standard. In Dakota County the rate was 75.3%. Suburban Hennepin County, at 55.7%, had the lowest percentage of units with rents qualifying for Section 8.

• At the time of our survey in August, the vacancy rate dropped from 4.8% to 3.9%. With a vacancy rate that continues to decrease and is under 5% for the second year in a row, the market is continuing to tighten for voucher holders.

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 only on apartment buildings in suburban Hennepin County, as HOME Line was a program of a nonprofit agency with suburban Hennepin County as its service area. After HOME Line became an independent organization, we received a foundation grant to expand our programs to Anoka and Dakota Counties and, in 2001, added these two counties to our survey.

This year's survey reached a total of 529 complexes: 315 in suburban Hennepin County, 101 in Anoka County and 113 in Dakota County. The survey includes a total of 65,945 rental units or 54% of all rental housing in the surveyed areas. Our callers spoke to whoever answered the phone and asked for the two-bedroom unit rent and whether or not Section 8 was accepted. If the complex accepted Section 8 we asked whether or not there were any minimum income requirements and, if so, what the requirements were. A more detailed description of our methodology is in Appendix I.

The Housing Choice Voucher program, administered by the 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 changed and HUD adjusted its calculation of Fair Market Rent (FMR), the rent level that establishes the Voucher Payment Standard (VPS), which is the purchasing power of the voucher.

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 of $684 for a two-bedroom unit was lagging far behind the market, $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 several years the market has witnessed a transformation. From 2000 to 2003 vacancy rates rose, eventually reaching 7% in 2003. Over the past three years vacancy rates have decreased and, for the second year in a row, the current vacancy rate of 3.9% is lower than the 5% vacancy rate that most economists consider an indication of a healthy rental market.

This year HUD set the Twin Cities area Fair Market Rent (FMR) at $858, less than the average rent of $859 in our survey. This is down from the FMR of $928 set in 2005, which was $80 above the average rent. In fact, three-fourths of all the units we surveyed that year had rents within the voucher limit! This year, only 63.2% are within the voucher limit. Many Housing and Redevelopment Authorities (HRAs) are still using the highest exception rent possible to keep voucher holders from losing their vouchers, thus their homes. Over the last two years this repeated reduction of the FMR has resulted in the loss of 7,418 units (11.3%) that meet the VPS and are available for Section 8 voucher holders.

Only 27.3% of the 65,752 surveyed apartments had owners ultimately willing to rent to Section 8 tenants. This is 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 owner bias affects Section 8 tenants' ability to get housing.

With the market continuing to tighten for voucher holders and owners placing 72.7% of the market off limits to voucher holders, the *Housing Choice Voucher* does not live up to its name. 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 2007 HOME Line conducted its thirteenth 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 six 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.

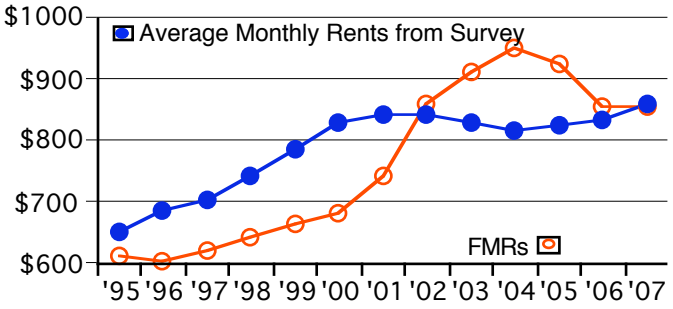
Survey covers over half of all rental units in Anoka, Dakota and suburban Hennepin Counties

This year's survey 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	315	101	113	529
Number of units in survey	41,777	7,116	16,859	65,752
Surveyed units as a percent of total units	55.5%	40.2%	59.1%	54.1%

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

In 2007, the two-bedroom Fair Market Rent (FMR) in the Twin Cities area was $858, down from a 2004 high of $951. Average rents increased for the third year in a row, up $22 from last year, to $859. For the first time in five years the average rent exceeded the FMR 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.



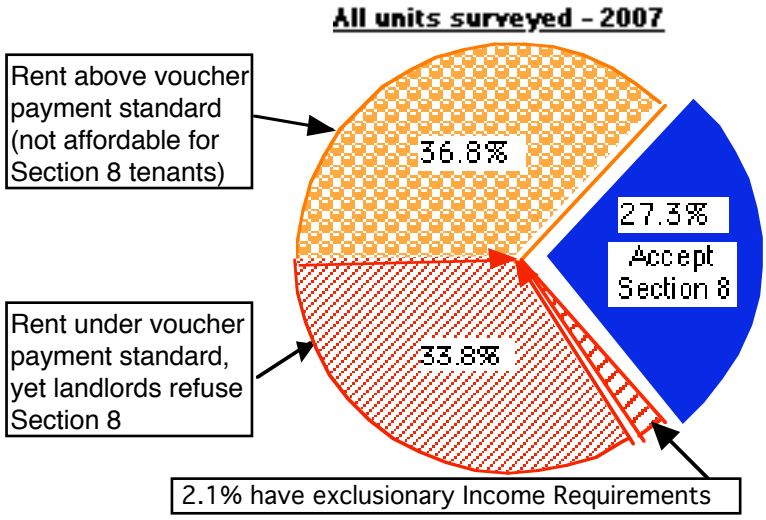
HUD's decrease in FMR from 2004, combined with the increased average rent in the area rental market, reduced the percentage of units within the Section 8 limits. Overall, the units within the Section 8 program limit dropped to 63.2% and have been in a steady decline since 2001. Still, 78.6% of Anoka County's, 55.7% of suburban Hennepin County's and 75.3% of Dakota County's units surveyed met the rent qualification.

	Suburban Hennepin	Anoka	Dakota	All areas Surveyed
Number of units in 2007 survey	41,777	7,116	16,859	65,752
Units with rents within VPS	22,261	5,590	12,696	41,547
Percent of units with rents within VPS	55.7%	78.6%	75.3%	63.2%

The Bottom Line: Only about one-quarter 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 almost three quarters of all units surveyed are still unavailable for tenants with vouchers.



	Anoka	Dakota	Suburban Hennepin	All areas surveyed
Number of units in survey	16,859	7.116	41,777	65,752
Units above VPS	4,163	1,526	18,516	24,205
Units w/in VPS yet refuse Sec. 8	6,726	2,564	12,966	22,256
Units w/in VPS and accept Sec. 8	5,970	3,026	10,295	19,291
Units with income requirements that exclude Section 8 tenants	531	136	705	1,372
Units affordable and available to Section 8 tenants w/o restrictions	5,439	2,890	9,590	17,919
Percent of units affordable and available to Section 8 tenants w/o restrictions	32.3%	40.6%	23.0 %	**27.3%**

Landlords' minimum income requirements bar voucher holders from 1,372 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 1,372 units included in this year's survey.

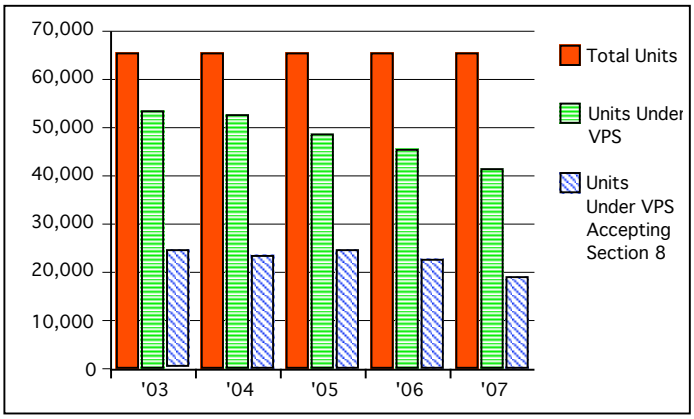
Minimum income requirements being used by owners and managers vary. Most are expressed as a multiple of the rent. Where there were such requirements, we probed to learn how they were being applied to Section 8 applicants. If the multiplier was 3x the *unit's market rent* (as opposed to the tenants portion, 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 monthly income of $2,400 ($28,800 annually.) To earn that much requires an working full time with an hourly wage of $13.85. According to the agencies issuing vouchers, almost all their applicants have significantly lower incomes.

According to HUD, the 2007 average income for a family with a voucher in the metro area is $12,979 annually, or $6.23 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 them.

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

This year's voucher market was tighter than last year's; the local vacancy rate was lower and rents were higher. Thus it is not surprising the fraction of "accepting units", the percent of units with rents under the voucher payment standard and which accept vouchers, decreased 5.1 percentage points to 27.3%, down from 32.4% in 2006, and down 8.1% since 2005. The graph at the right illustrates this decline.



Our study shows that 72.7% of the total number of units surveyed remain off limits to Section 8 voucher holders, despite the fact that 63.2% of the surveyed units had rents that qualified for Section 8. This is attributed to owners' continuing refusal to participate in the voucher program.

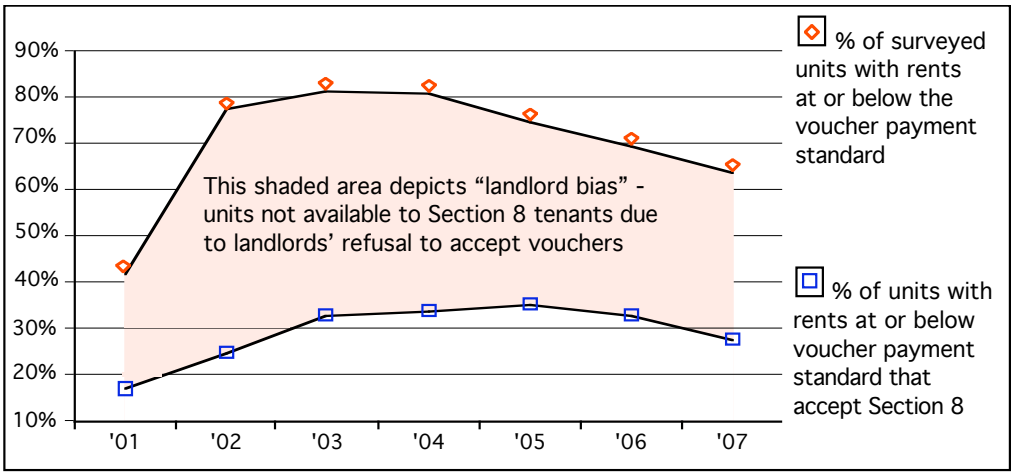
Section 8 vouchers have been promoted as offering freedom of choice to the voucher holders (e.g., they are called "Housing Choice Vouchers"). However, if landlords are free to decide whether or not to participate, the value of the Section 8 program to voucher holders is largely dependent on the landlord's 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 the 41,547 units surveyed, which had rents at or below the value of the voucher only 17,919 would accept voucher holders without exclusionary minimum income requirements. 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 continuing decrease in qualifying units over the past four years (81.6% in 2005 to 63.2% in 2007) can probably be attributed to the decreased vacancy rate, increased rents and decreased FMRs.

Landlord bias limits the effectiveness of the Section 8 program in providing freedom of choice for voucher holders.

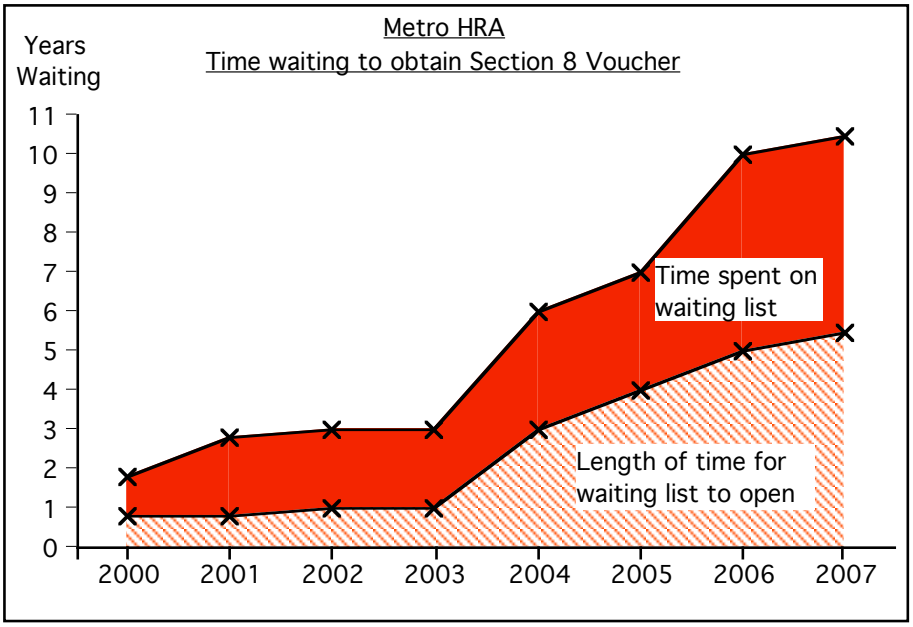
The graph at right uses data to portray the impact of this bias.



Voucher waiting lists continue to grow

National statistics indicate that only one in five income-eligible households actually receive 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 is only if a waiting list is opened to receive more applicants.

We contacted the housing agencies issuing Section 8 vouchers in the areas our survey covered- Anoka, Dakota, and suburban Hennepin counties. We asked 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.



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 to the right illustrates how dramatically the waiting list, and the wait to get on that list, has grown to 10.5 years over the last seven years. The Metro HRA is the state's largest provider of Section 8 Vouchers and this graph illustrates the dire waiting list situation in the Twin Cities area.

BUSH ADMINISTRATION WEAKENS VOUCHER PROGRAM

For 13 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 provide an effective means to ensure 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, both through HUD and in budget proposals with inadequate funding to Congress, threaten the trusting relationship developed with landlords, the supply of vouchers, and the consistency of a uniform national program.

While the Bush administration prides itself for rising homeownership levels, the level of affordable housing units available to low-income people is on a steady decline. Amidst rising foreclosure levels nationwide, and a tightening rental market in the Twin Cities, there has been an obvious increase in demand within the rental market. Unless new legislation is introduced and passed by Congress and signed by the President, we will likely see a further decline in the availability of affordable housing.

Administrative and budget actions have eroded the voucher program

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 administering the Section 8 voucher program. Simply put, HUD changed the formula for paying for vouchers and this new formula did not pay for the actual costs of the voucher. Furthermore, this was retroactive, forcing many Housing and Redevelopment Authorities (HRAs) to cut their voucher programs substantially. Even with intensive grassroots organizing, over 150,000 vouchers were lost nationwide as a result of this action.

Furthering this problem, the 109th Congress passed a 2005 and 2006 budget with reduced Section 8 funding. The HUD funding formula maintained the practice of basing each HRA's voucher funding on out-dated data forcing many local HRAs to implement and retain restrictive policies negatively impacting voucher holders.

Possible Congressional fix to funding formula

In February 2007, the 110th Congress passed an appropriations act that mandated the U.S. Department of Housing and Urban Development distribute voucher renewal funding based on an agency's actual cost and leasing rates over the past 12-month period, as opposed to the three-month snapshot period declared in 2004. This funding formula change was an effort to more adequately determine actual costs needed to fund the Section 8 program. For the first time in three years agencies received funding based on their actual needs instead of the President's budgetary needs.

Unfortunately, this was a one-time fix as it is only for this fiscal year. The Section 8 Voucher Reform Act (SEVRA) and the corresponding HUD appropriations legislation currently moving through Congress contains language to make this, and other changes, permanent. These changes are critical to ensuring the funding of the Section 8 program is based on actual costs.

Fiscal Year 2008 HUD appropriations could result in more Section 8 cuts

Congress is currently working on 2008 HUD appropriations bills, which could result in further cuts to the Section 8 voucher program. The great strides Congress made with renewing funding levels were unfortunately only enacted for fiscal year 2007. The President's initial budget request for FY08 includes a freeze in voucher renewal funding, in effect discounting any annual rise in rent and utility costs throughout the country. This would result in a failure to fund approximately 80,000 vouchers used by families in 2007.

Currently, the House and Senate each have different HUD appropriations bills that are currently being worked out. The House bill contains language that again does not pay for the actual costs of the voucher. Even though this bill proposes an increase of $300 million over the President's proposed funding levels, it falls short of current needs while using a less cost-effective use of voucher funding. This bill would result in further reductions of vouchers

The Senate bill, on the other hand, continues funding levels based on actual costs. The bill ensures adequate funding for all vouchers in use in 2007 by dedicating nearly $500 million above the President's request, while instituting a cost-effective formula for fund distribution to the more than 2400 state and local housing agencies. Whereas the House HUD bill and the President's budget request will result in a potential failure to renew between 55,000 and 80,000 vouchers respectively in 2008, the Senate version fully funds all existing authorized vouchers.

Both the House and Senate versions of the appropriations bills represent a substantial increase over the President's request and the President has threatened to veto any spending bills that surpass it. In this case, it is unclear whether both the House and Senate will have the necessary votes to override a Presidential veto.

Under funding of HUD project-based contracts threatens voucher funding

Reports are surfacing that HUD is facing more severe budgetary shortfalls than previously expected. In relation to these reports, HUD failed to make timely Housing Assistance Payments (HAP) to Section 8 project-based housing owners. The apparent reason is a shortfall in authorized funding to honor their prior project-based commitments.

For years, the President's Office of Management and Budget has diminished the Section 8 program's credibility by failing to increase the HUD budget, even amidst rising rental and utility costs. HUD was forced to enter into year-long contracts with participating owners, with the knowledge that adequate funding was only available by borrowing from the following year's budget allowance. When HUD's Chief Financial Officer decided this practice was illegal, the current funding shortage crisis exploded. In fiscal year 2007, even though Congress increased the administration's request for funding by $939 million, the project-based Section 8 budget still falls $1 billion short of fiscal year 2007 needs.

The consequences of HUD's funding shortfall are yet to be realized. The funding shortfall in project-based contracts in FY 2008 could be as high as $2 billion. With the President's decision to keep discretionary spending levels even, this shortfall could drastically affect the money available for the Voucher program, forcing more cuts on an already strained system.

Need for improvement in project-based Section 8

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 de-concentrate poverty and is an important piece in the affordable housing picture.

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

In order to guarantee full funding for all allocated vouchers, the funding formula used to calculate housing authority needs, must be based on actual costs, and it must be provided in a timely manner to housing authorities. The successful passage of the Senate appropriations bill and the SEVRA Legislation will ensure the government is able to uphold its priority to thousands of families who deserve safe, affordable housing.

APPENDIX I: About the Survey

When and where it was conducted

The survey was conducted by telephone during the summer and fall of 2007. 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 529 apartment complexes, containing 65,752 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 54.1% of the units overall. It breaks down as follows: 40.2% (7,116 surveyed out of 17,699) in Anoka County, 59.1% (16,859 out of 28,530) in Dakota County and 55.4% (41,777 out of 75,392) in suburban Hennepin County.

We called the rental office as potential consumers and spoke to the first person that answered the phone. Since our callers spoke to whomever answered, we may not have always talked to people with knowledge of the owner's policy regarding vouchers 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 Voucher Payment Standard (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 costs, which include 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 $920, the utility allowance for the unit is $30 and the VPS in that city was $933, the total housing cost of $950 (rent of $920 plus utilities at $30) exceeds the VPS by $17. In this case, the family would have to pay the extra $17 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 of which 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 it was applied to the tenant's portion of the rent, the multiple could be up to 3.3x the tenant's portion of the rent without disqualifying the applicant, provided the rent was within the VPS. If the multiplier was 3x the unit's market rent, virtually all Section 8 holders would be disqualified, even with rent that was within the VPS. In this year's survey we found 1,372 units where the requirement was three times the unit's market rent, thus disqualifying voucher holders, despite the fact that the rents were within the VPS.

APPENDIX II: Housing Choice Vouchers and the Voucher Payment Standard

Under the Section 8 Housing Choice Voucher Program, the term used for the highest rent a voucher would cover is called the Voucher Payment Standard (VPS). The VPS is determined locally by the housing agency that issues vouchers in its jurisdiction. In the areas we surveyed the vouchers are administered by the Metropolitan Council's Housing and Redevelopment Authority (HRA) for all cities in suburban Hennepin County with the exceptions of Bloomington, Plymouth, Richfield and St. Louis Park, who administer their own vouchers, and in Dakota County by the Dakota County Community Development Authority (CDA) and South St. Paul CDA.

Every year HUD publishes a set of Fair Market Rents (FMRs) for each metropolitan and 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 than past methods used, as indicated by the percentages of units qualifying shown in the chart on page four of this report.

The term Fair Market Rent is somewhat misleading as the number used for the rent amount is actually the amount of rent *plus* utility costs, not including phone and cable. Almost all rents in Minnesota do not include these utility costs, which are paid separately over and above the amount of rent, 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% and 110% of the FMR. HRAs can request exception rents from HUD, beyond the 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 their 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) requires HUD approval. The HUD-set metro area two-bedroom FMR during the survey was $858.

The Metropolitan 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	105%
Hastings	903	105%
Inver Grove Heights	940	110%
Lakeville	940	110%
Lilydale	940	110%
Rosemount	903	105%
South Saint Paul	928	108%
West Saint Paul	903	105%

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	5,885	5-7 years	(5 1/2 years) Opened 06/07, first time since 2001. Opens as number on wait list is insufficient for annual turnover	5,500 on waiting list
Bloomington HRA	900	525	5 years	last opened 2004, 2001 over leased now No one leased in 2007	450 on waiting list
So. St. Paul HRA	928	302	5 years	every 5 years	1,100 on waiting list
Richfield HRA	912	231	3 years	every 3 years closed for last 6 years	208 on waiting list
Dakota Co. CDA	Region 1: 940 Region 2: 903	2,202	2 years	every 3 years	1,245 on waiting list
Plymouth HRA	935	225	12-18 months	every 3 years	57 on waiting list
St. Louis Park HRA	882	265	2 to 4 years	closed since 5/05	1,098 on waiting list

APPENDIX V: Fair Market Rents

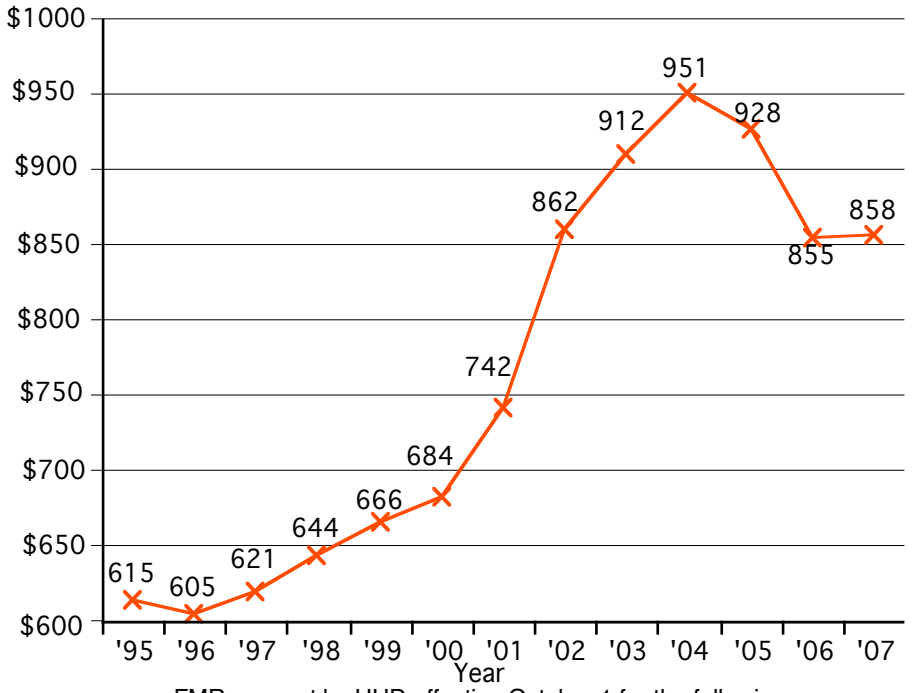
Twin Cities Metro Area Fair Market Rents (FMRs)

FMRs in effect at time of survey	
600	Efficiency
707	1 bedroom
858	2 bedroom
1,123	3 bedroom
1,262	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 percentile. 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.

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 2006 began October 1, 2006.

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.