



Metro HRA Payment Standards Discussion

Community Development Committee



October 19, 2026

Introductions



Panel Members

- Terri Smith, Director, Metro HRA
- Caitlin Hamrock, Principal Data Scientist, Research

Special credit to Steve Victorey, HRA Sr. Manager – Systems and Payments

Payment Standards

Payment Standards = Rent Limits

- Limited by Fair Market Rents (FMR) issued each year by U.S. Department of Housing and Urban Development
- Must adopt Payment Standards between 90% and 110% of the new FMRs
- Used to calculate maximum rent for voucher holders

2025 HOUSING CHOICE VOUCHER ADMINISTRATIVE PLAN

Metropolitan Council Housing and Redevelopment Authority

Approved by Metropolitan Council:

September 24, 2025
April 23, 2025
September 25, 2024
October 11, 2023
October 12, 2022
September 22, 2021
September 23, 2020
February 12, 2020
September 25, 2019

What does the rental market data show?



Key Takeaways

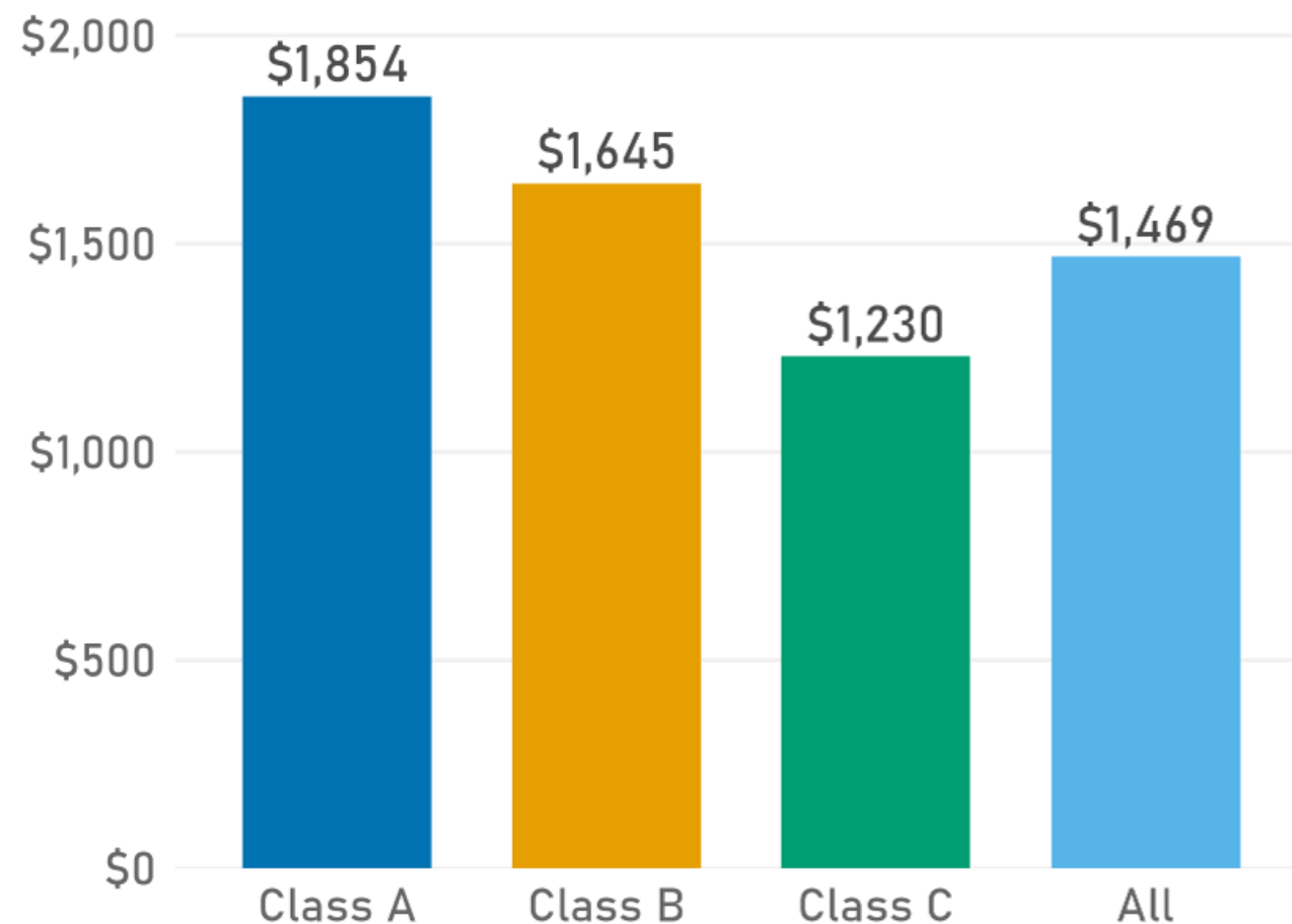


- Rents are still increasing
 - Fastest for most affordable units
 - Faster in our region than other metro areas
- Rent burden becoming more common, and more severe
- Important variation in rent growth trajectories by community and type of apartment (class)

What do rents look like in the region?

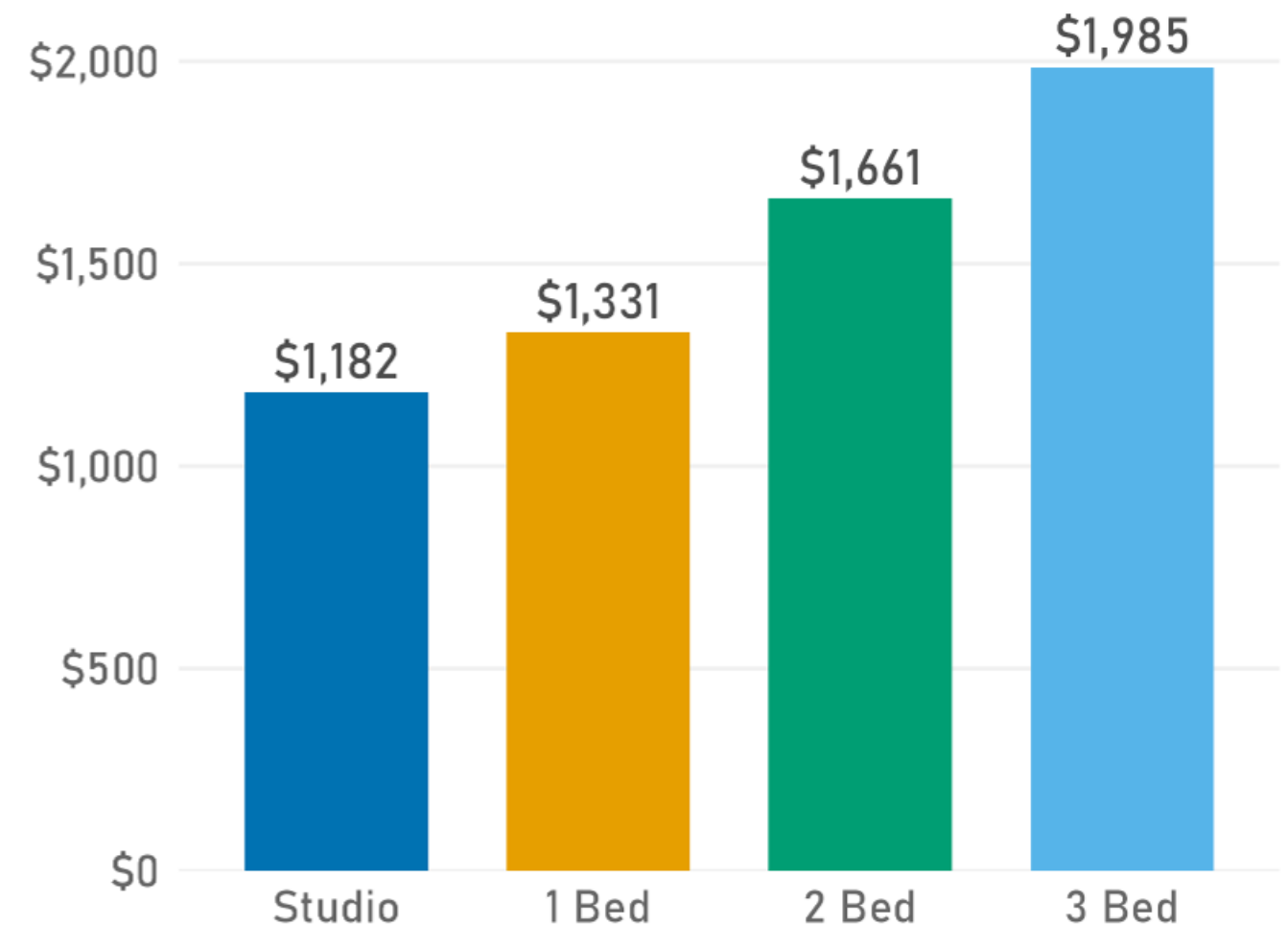
Median Rent by Class of Apartment

Across entire 7-county region, 2026

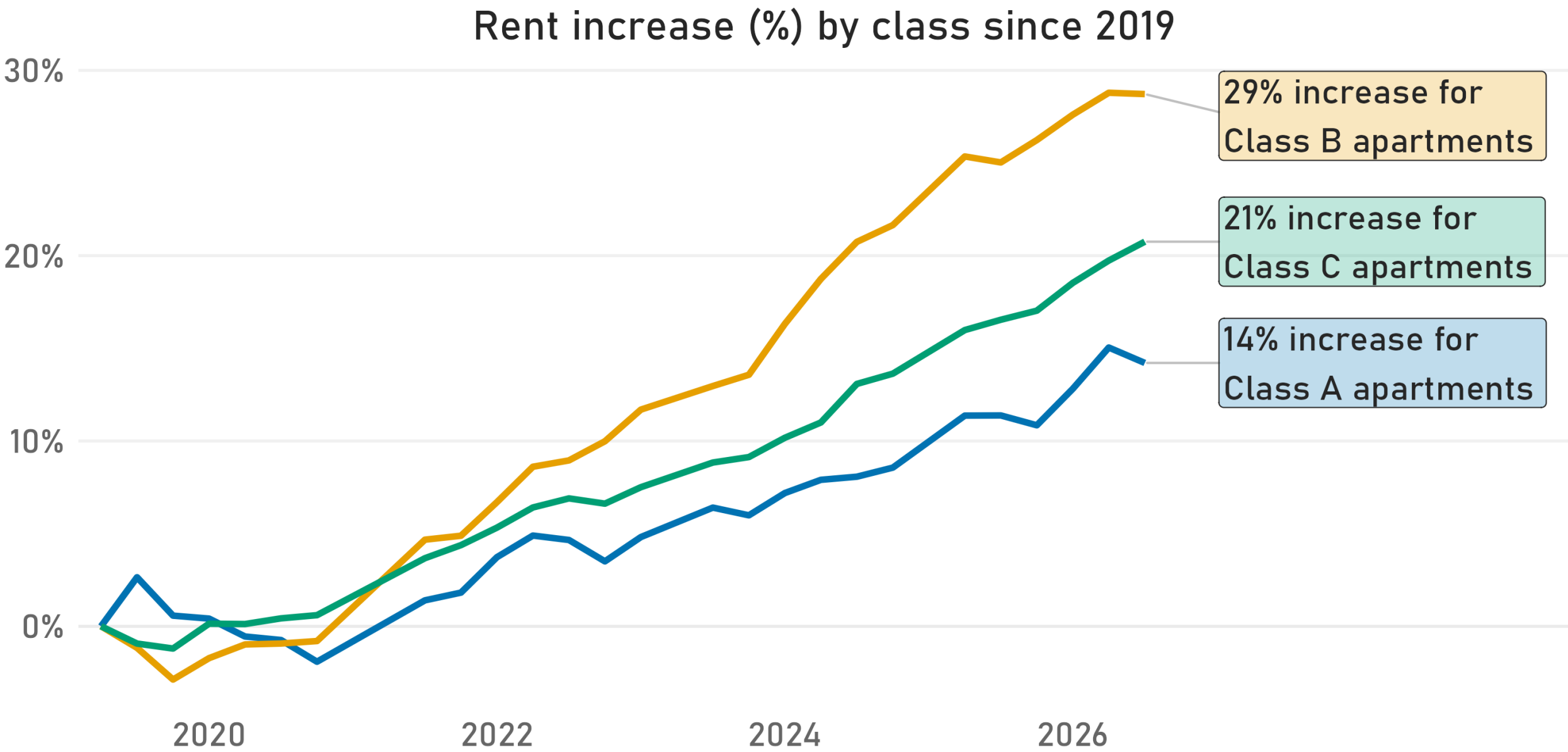


Median Rent by Number of Bedrooms

Across entire 7-county region, 2026



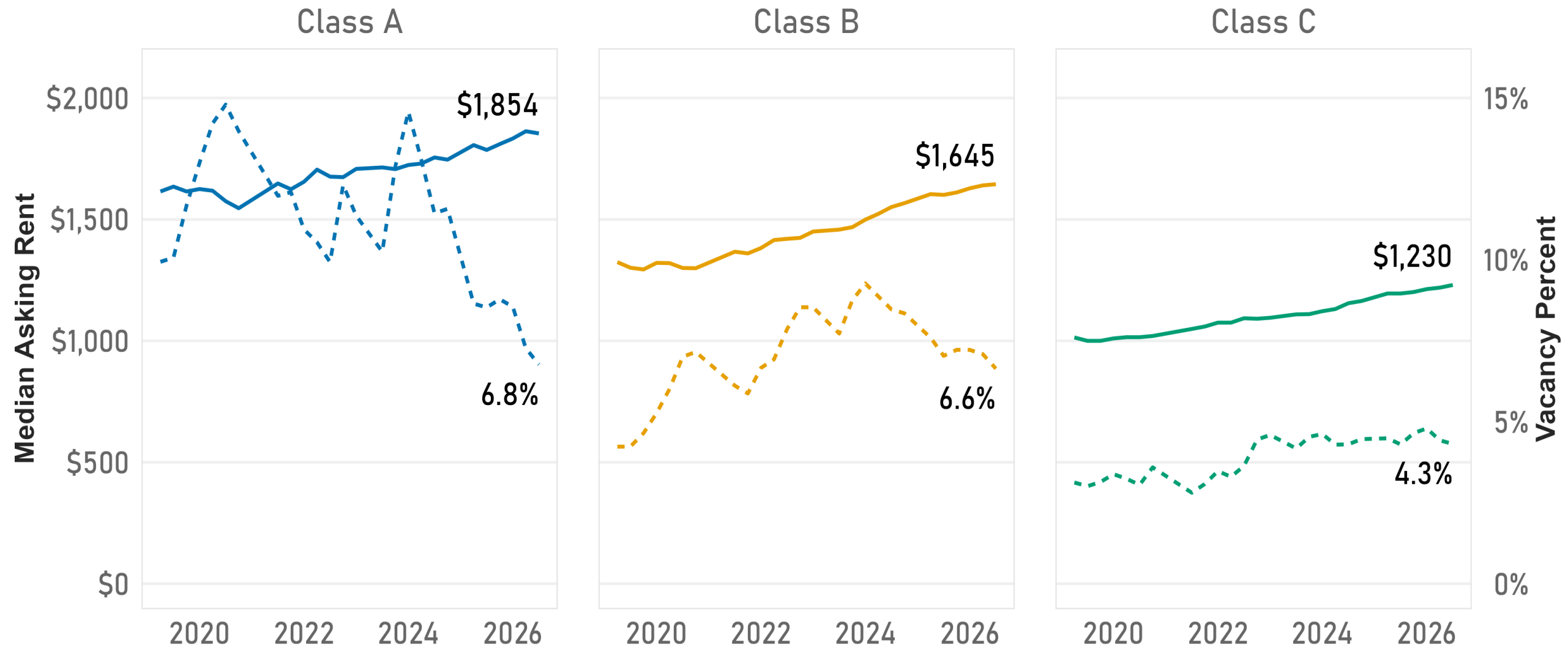
Rent increases most pronounced for most affordable apartments



Source: CoStar multifamily asking rents

Vacancy rates are variable in class A apartments, but consistently low in Class C apartments

Median rent (solid line) and % vacancy (dashed line) by class since 2019



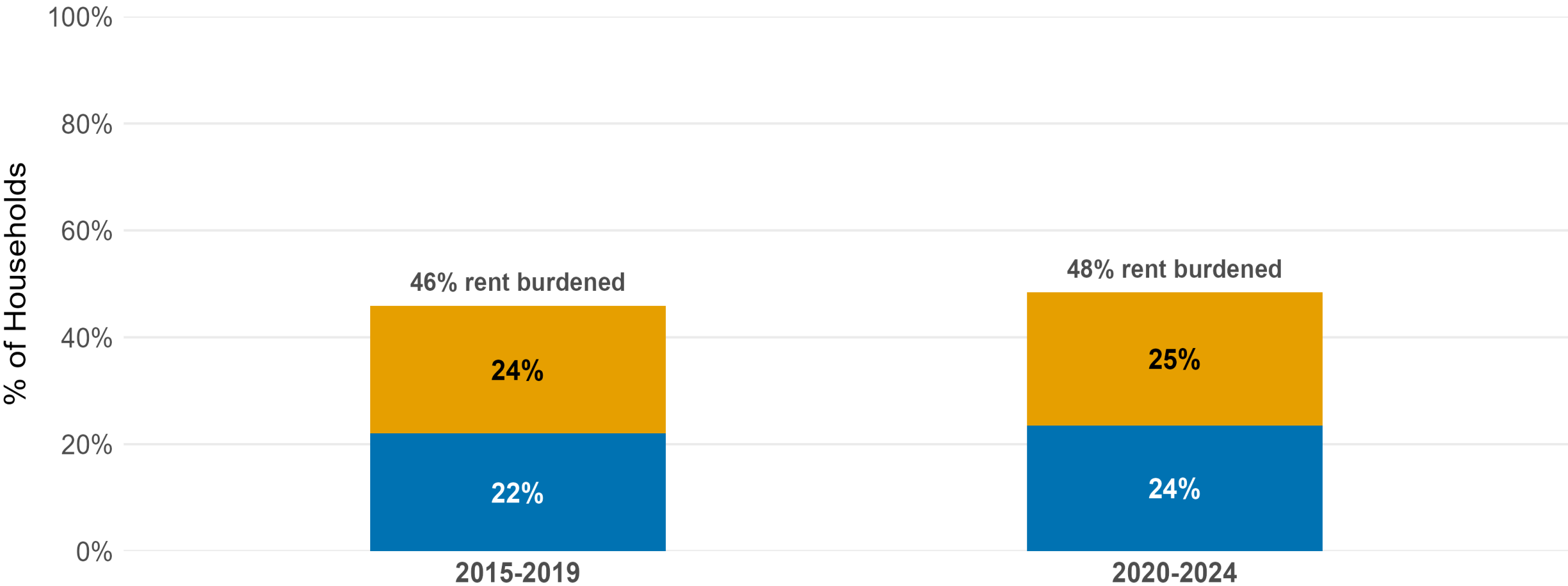
Source: CoStar multifamily property data (existing buildings), aggregated by the Metropolitan Council.

Renters have been consistently housing cost burdened for a decade

Overall rent burden

American Community Survey 5-year estimates | Minneapolis-St. Paul MSA

■ Rent burdened (30-49.9%) ■ Severely rent burdened (50%+)



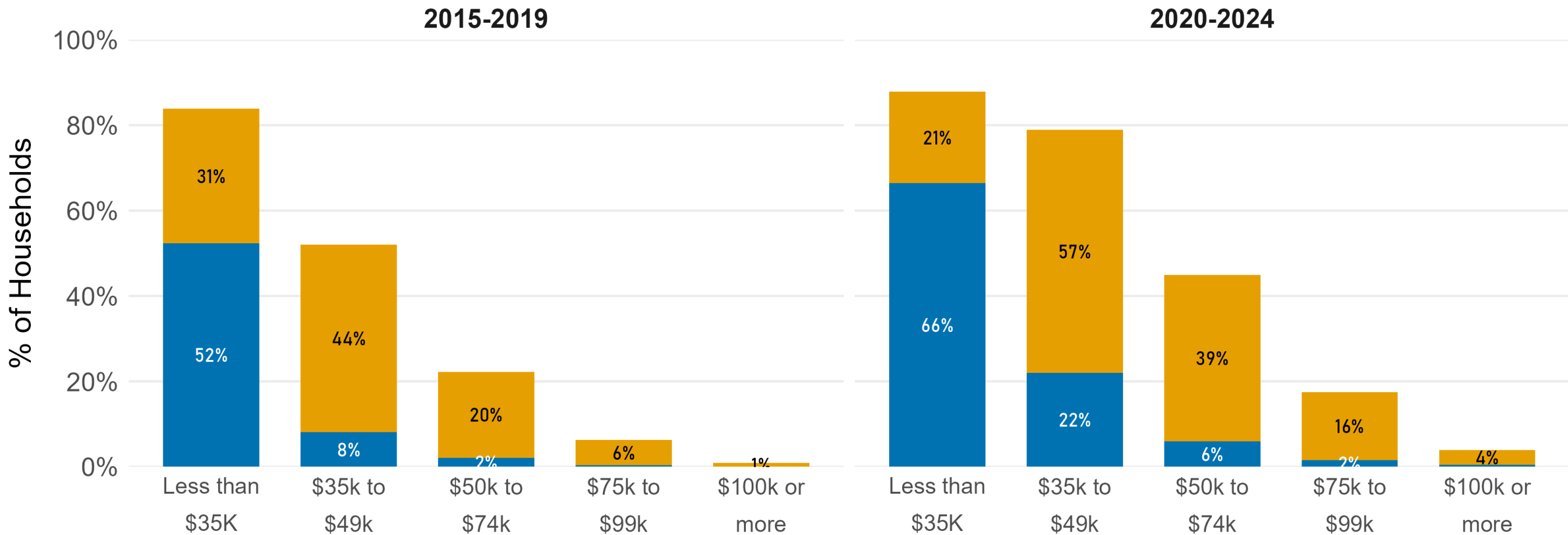
Source: U.S. Census Bureau, ACS 5-year estimates, table B25074. Renter households. Households with burden not computed are excluded. MSA = Minneapolis-St. Paul-Bloomington, MN-WI metropolitan statistical area (includes counties beyond the 7-county region; county membership follows the OMB delineation in effect for each ACS year).

But those overall numbers mask important variation by income

Rent burden by household income

American Community Survey 5-year estimates | Minneapolis-St. Paul MSA

■ Rent burdened (30-49.9%) ■ Severely rent burdened (50%+)

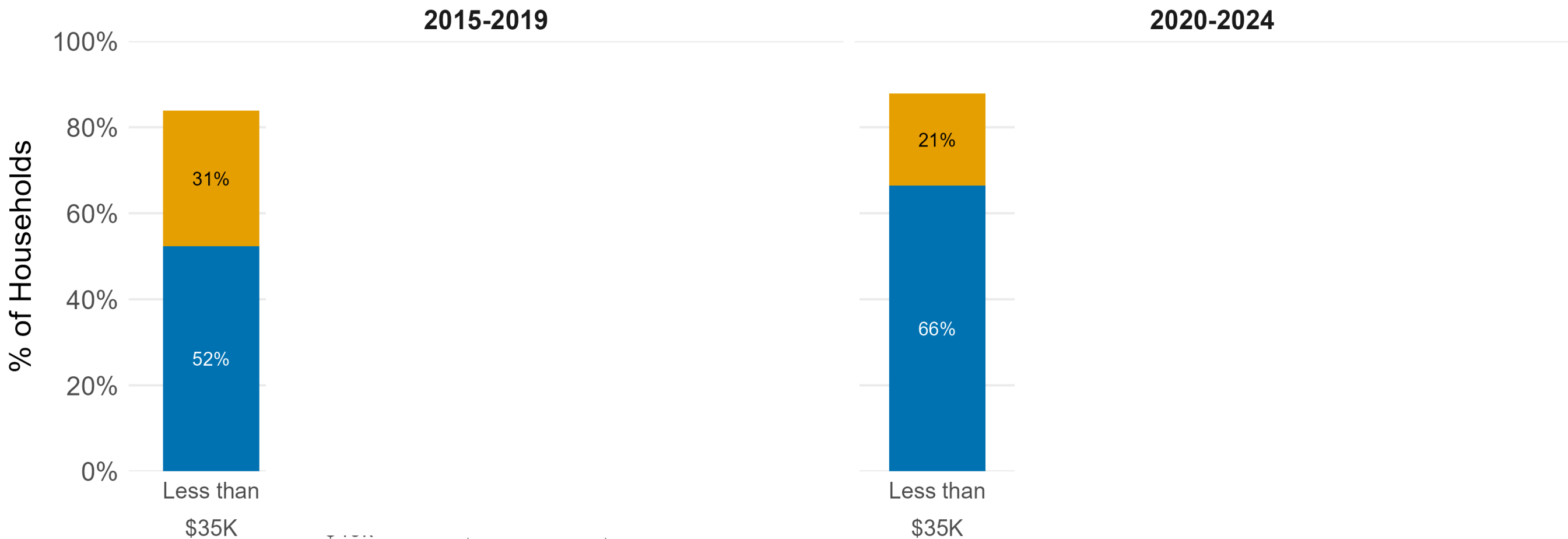


Rent burden is most acute for lower income households, but has increased for all renters since the pandemic

Rent burden by household income

American Community Survey 5-year estimates | Minneapolis-St. Paul MSA

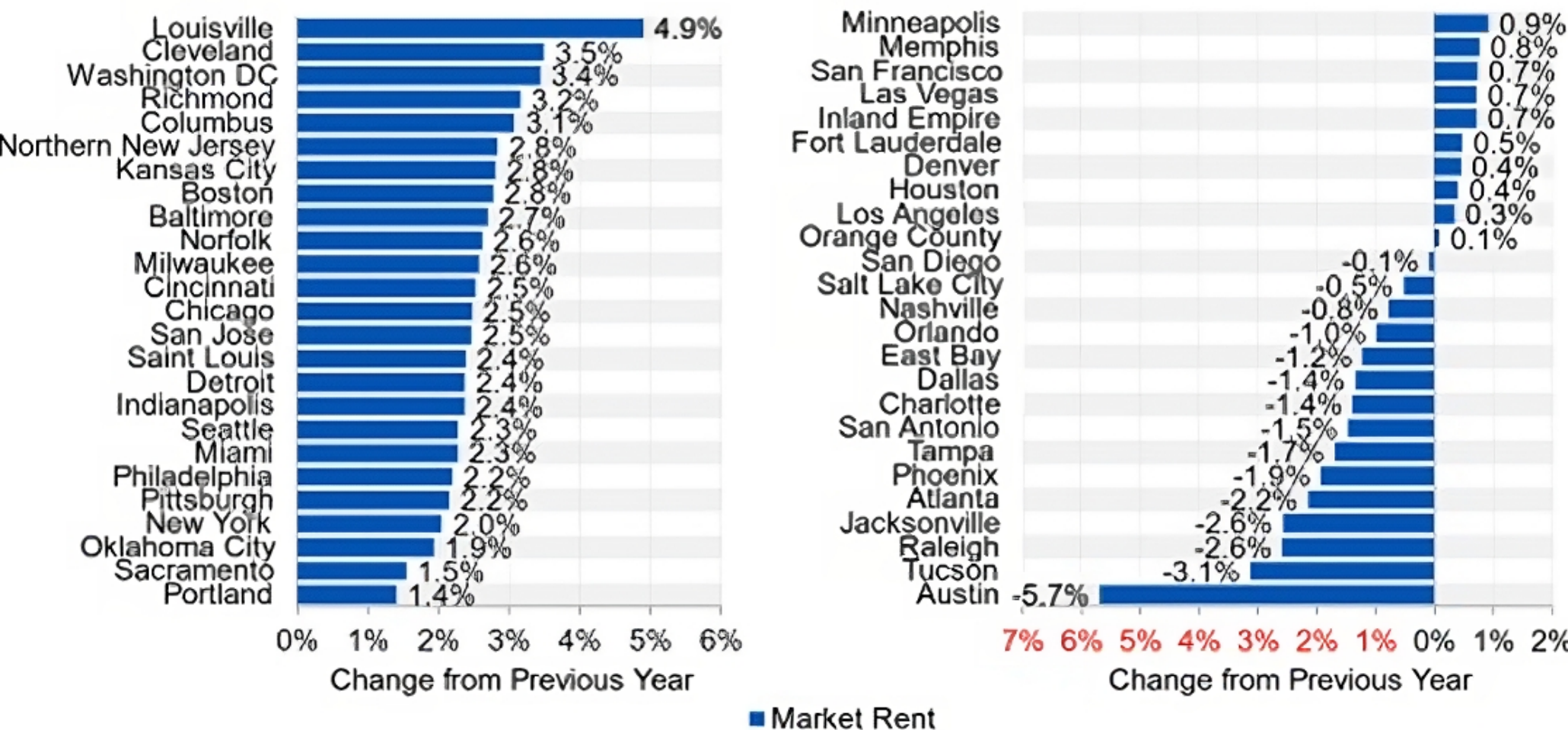
■ Rent burdened (30-49.9%) ■ Severely rent burdened (50%+)



2024: It could be worse?

Twin Cities rent prices increased less than other metros between 2023-2024

Annual Apartment Rent Growth in Top 50 Markets

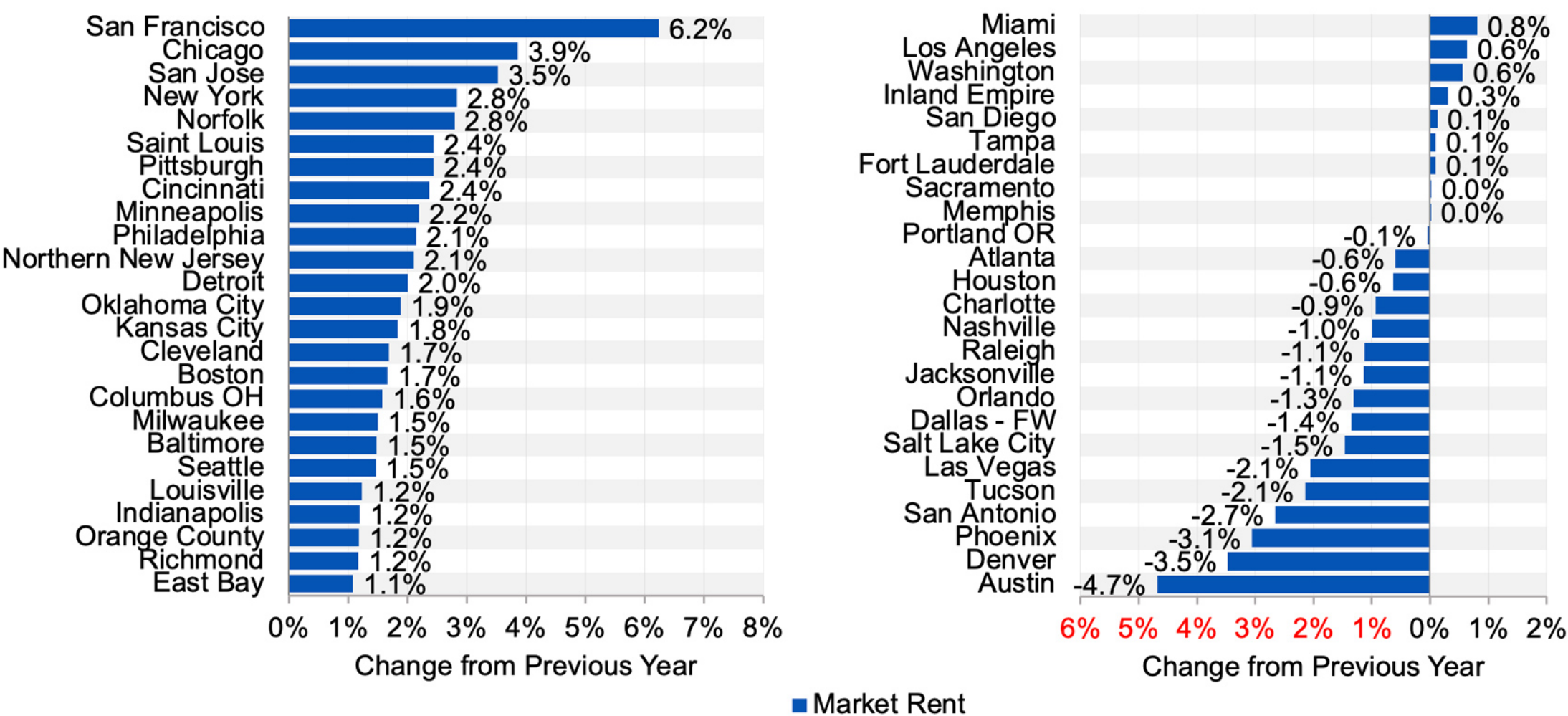


Source: CoStar Apartment Monthly Rent Report, June 2024

2025: Region has some of the highest rent growth in the nation

Twin Cities rent prices increased more than other metros since 2023

Annual Apartment Rent Growth in Top 50 Markets

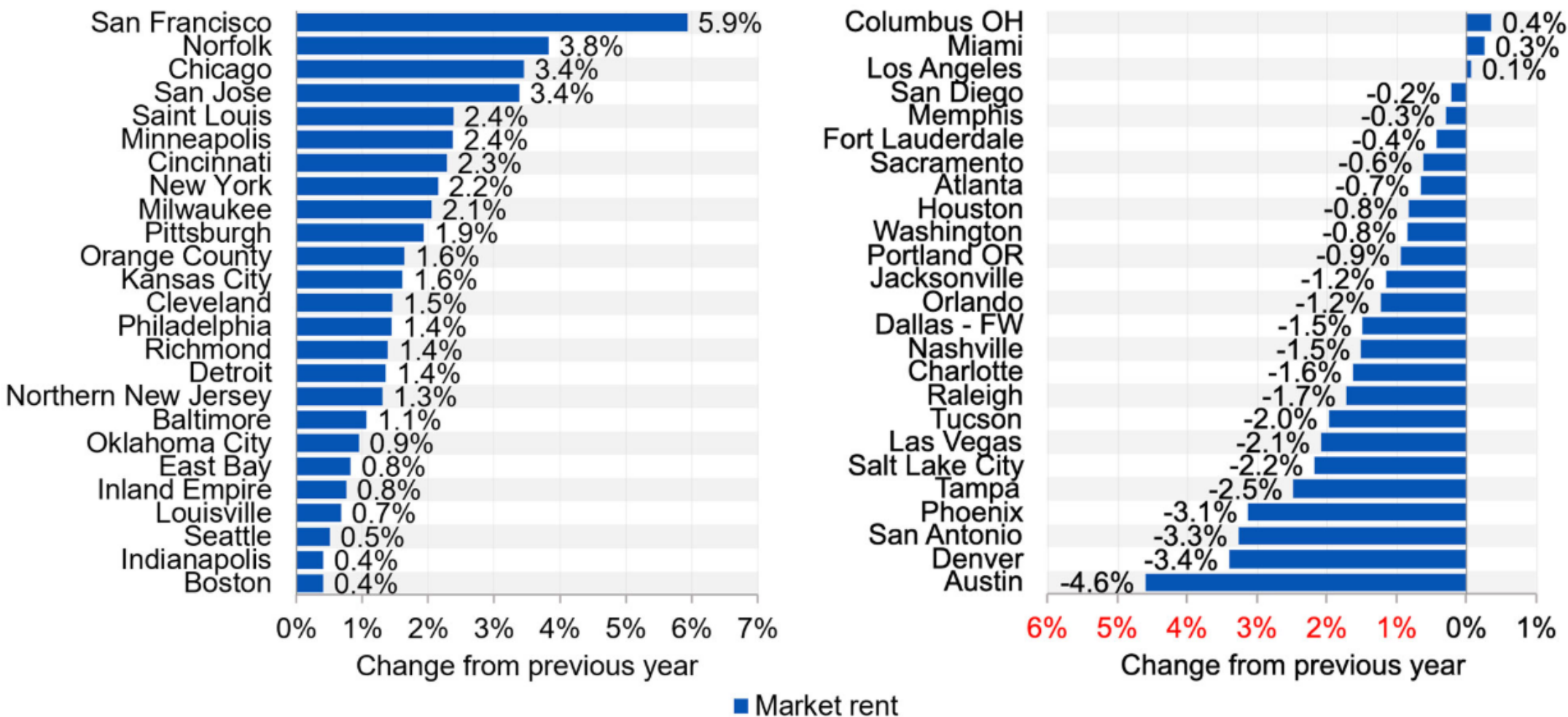


Source: CoStar Apartment Monthly Rent Report, August 2025

2026: Rent growth puts us in top ten metros

Twin Cities rent prices increased more than other metros since 2023

Annual Apartment Rent Growth in Top 50 Markets

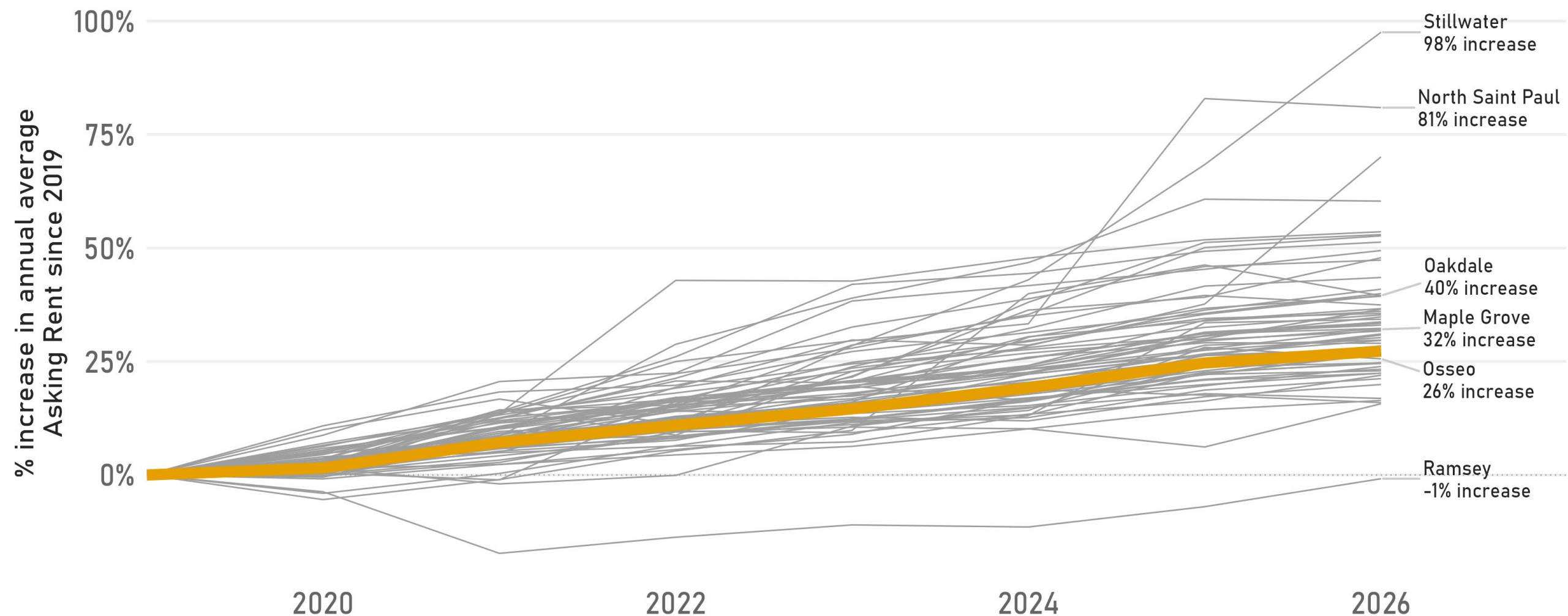


Source: CoStar Apartment Monthly Rent Report, December 2025

Great deal of variation in rent increases across the region

City-level and **regional average** rent increases since 2019 (annual averages)

Each year is the average of its quarterly data; 2019 and 2026 are partial years



Source: CoStar multifamily property data (existing buildings), aggregated by the Metropolitan Council. Note: Data for Farmington and Newport are likely flawed, so their lines were removed from this graph only.

Key Takeaways



- Rents are still increasing
 - Fastest for most affordable units
 - Faster in our region than other metro areas
- Rent burden becoming more severe
- Important variation in rent growth trajectories by community and type of apartment (class)

Small Area Fair Market Rents



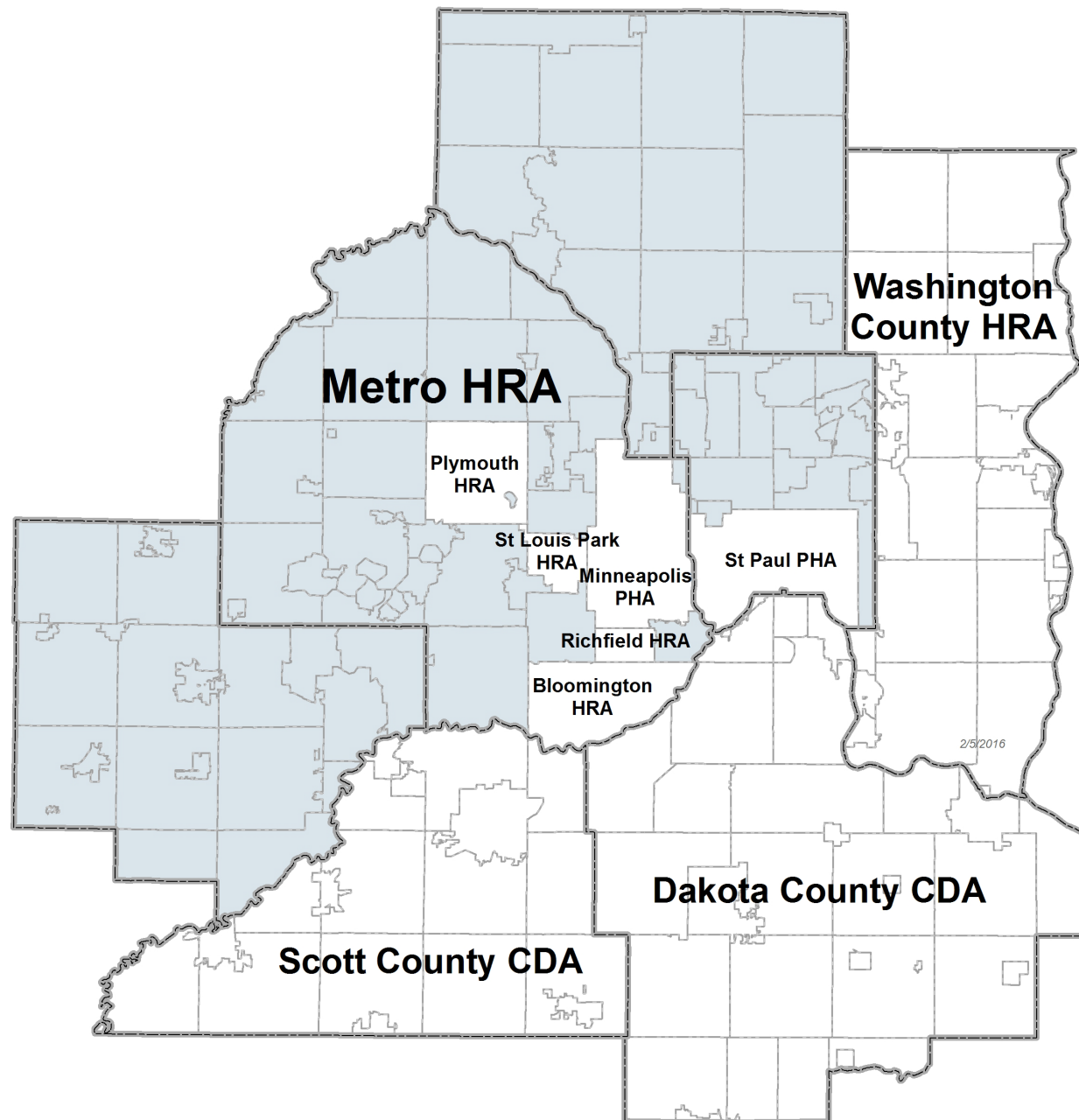
What are Small Area Fair Market Rents?



HUD Published Final Rule in 2016

- Calculated at the zip code level vs. metropolitan area-wide Fair Market Rent
- Fair Housing Initiative
- Provide Voucher holder access to lower poverty areas
- Improve housing choice
- Metro HRA adopted in 2020

Metro HRA Service Area



Blue areas served by Metro HRA

- Anoka and Carver Counties
- Suburban Hennepin and Ramsey Counties
 - Excluding Minneapolis, St. Paul, Bloomington, Plymouth, Richfield, and St. Louis Park

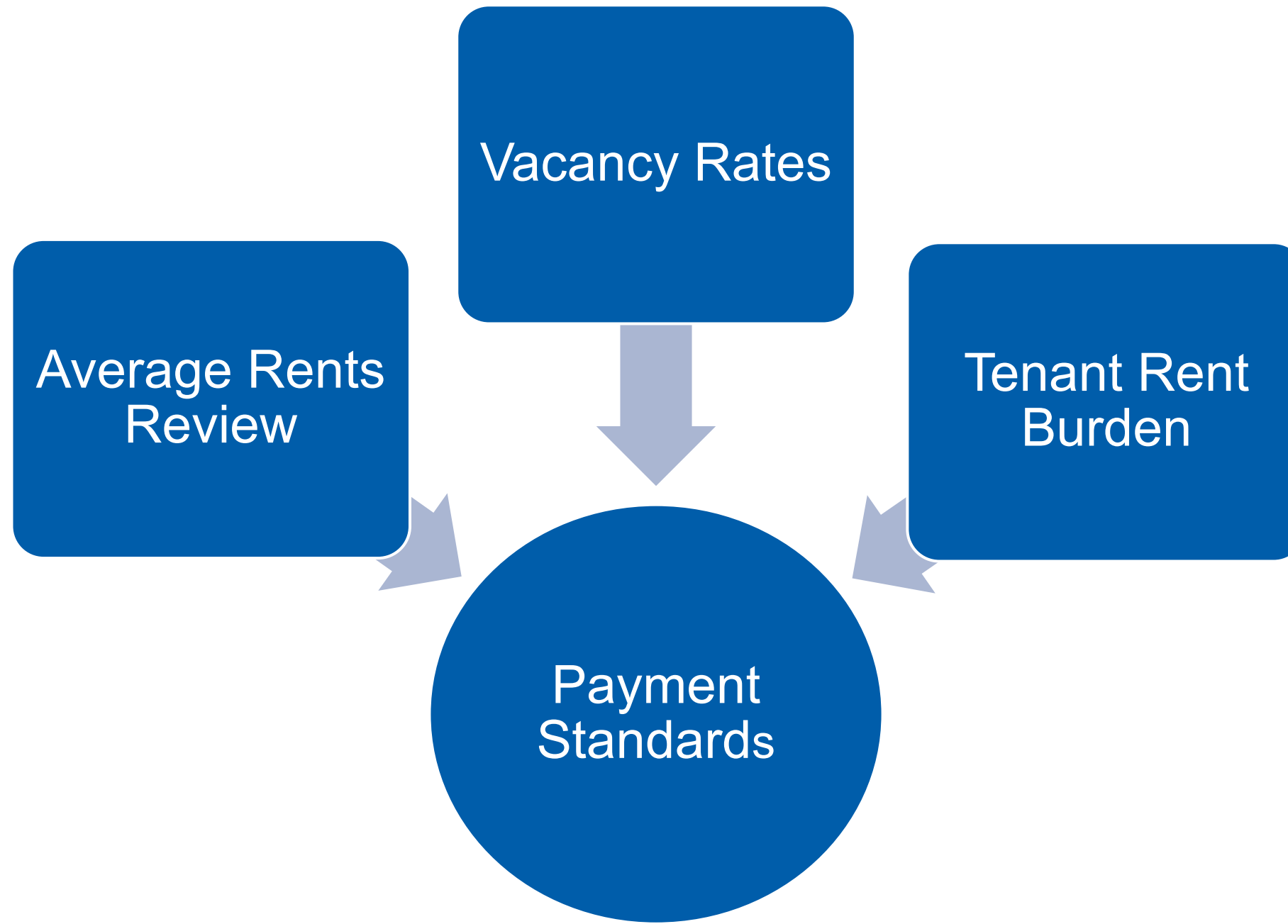
Summary of SAFMR Changes

Total Zip Codes in 7-County Region*	Zip Codes in Metro HRA Service Area	Total Zip Codes Requiring Change	Zip Codes Requiring Change in Metro HRA Service Area
177	79	20	9

Requiring change = Outside of required range of 90%-110% of new SAFMRs

*The Metro HRA operates some small programs throughout the entire Metro Area

Payment Standards Review



Payment Standard Considerations

HUD Rule: serve as many families as possible within budget authority

- Council can issue up to 7,300 vouchers
- \$100 million in federal revenue

Higher Rent Limits

- Higher average subsidy
- Fewer vouchers issued
- Higher success rates

Lower Rent Limits

- Lower average subsidy
- More vouchers issued
- Lower success rates

Payment Standards and Rent



Tenant Rent Portions

- Tenants pay between 30% and 40% of income towards rent
- If Unit Rent within the payment standard
 - Tenant pays 30%
- If Unit Rent above the payment standard
 - Tenant pays 30% of income plus the difference
 - Tenant cannot pay more than 40% of income at initial move-in

Small Area Fair Market Rent Analysis



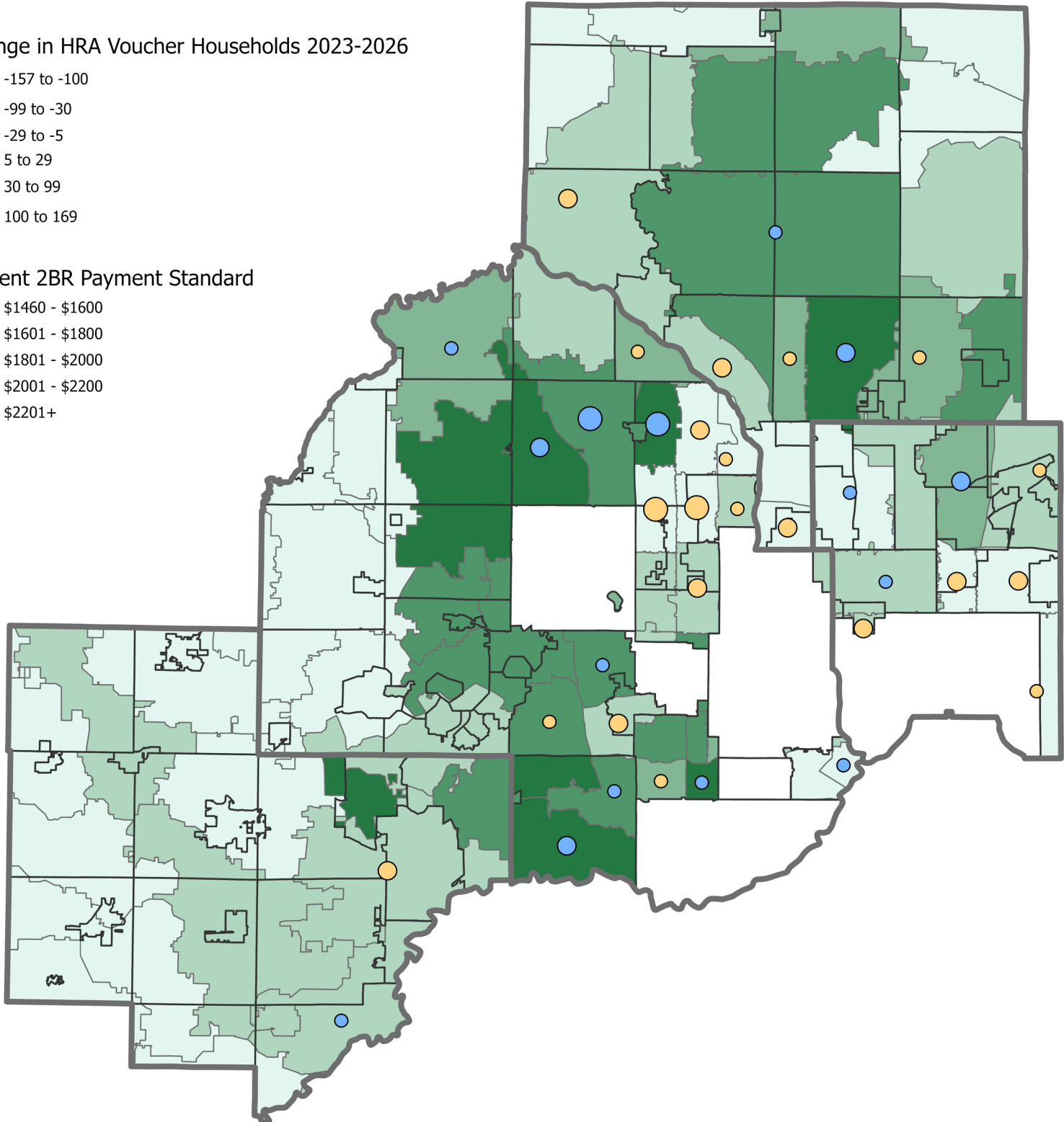


Change in HRA Voucher Households 2023-2026

- 157 to -100
- 99 to -30
- 29 to -5
- 5 to 29
- 30 to 99
- 100 to 169

Current 2BR Payment Standard

- \$1460 - \$1600
- \$1601 - \$1800
- \$1801 - \$2000
- \$2001 - \$2200
- \$2201+



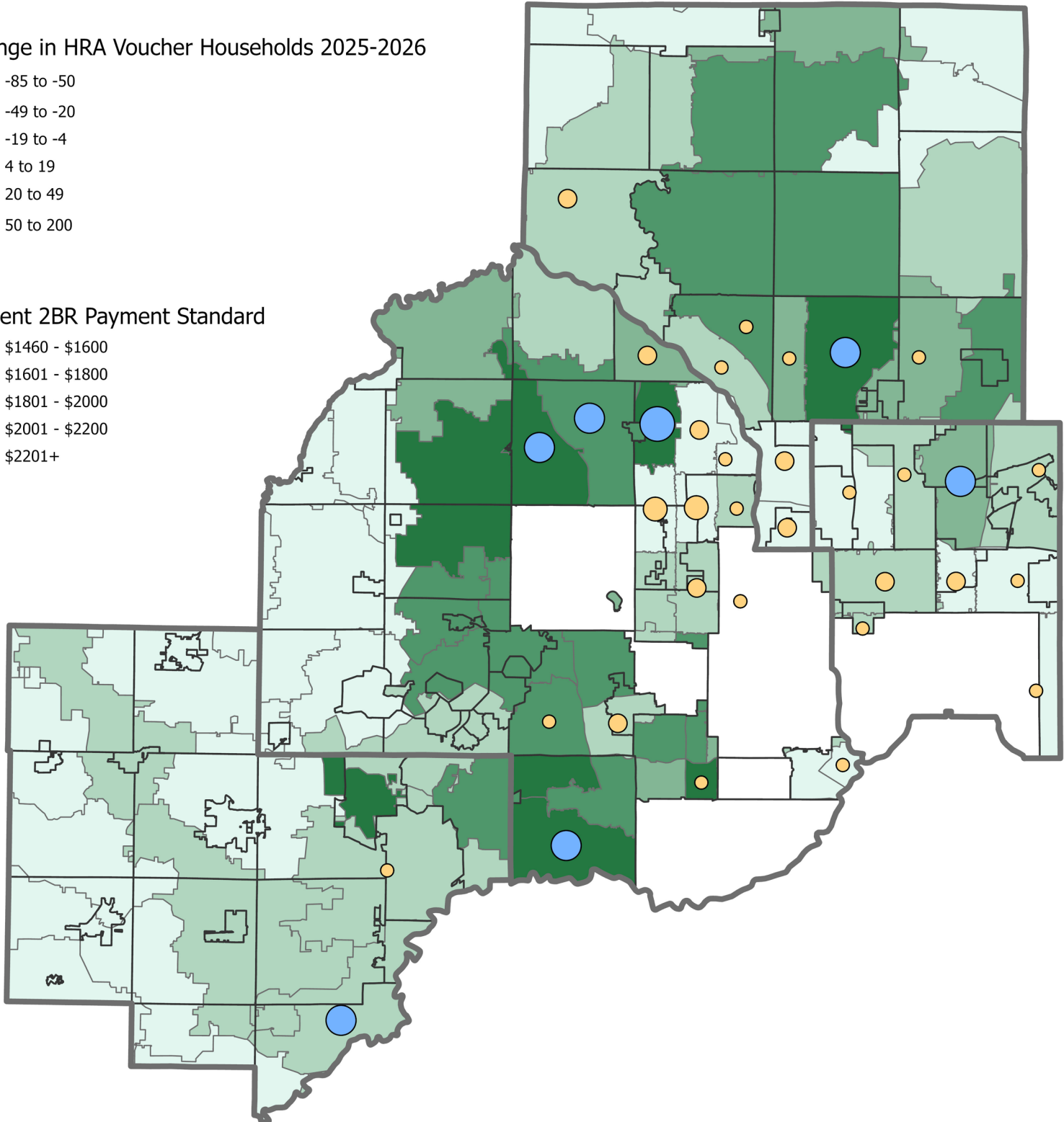


Change in HRA Voucher Households 2025-2026

- 85 to -50
- 49 to -20
- 19 to -4
- 4 to 19
- 20 to 49
- 50 to 200

Current 2BR Payment Standard

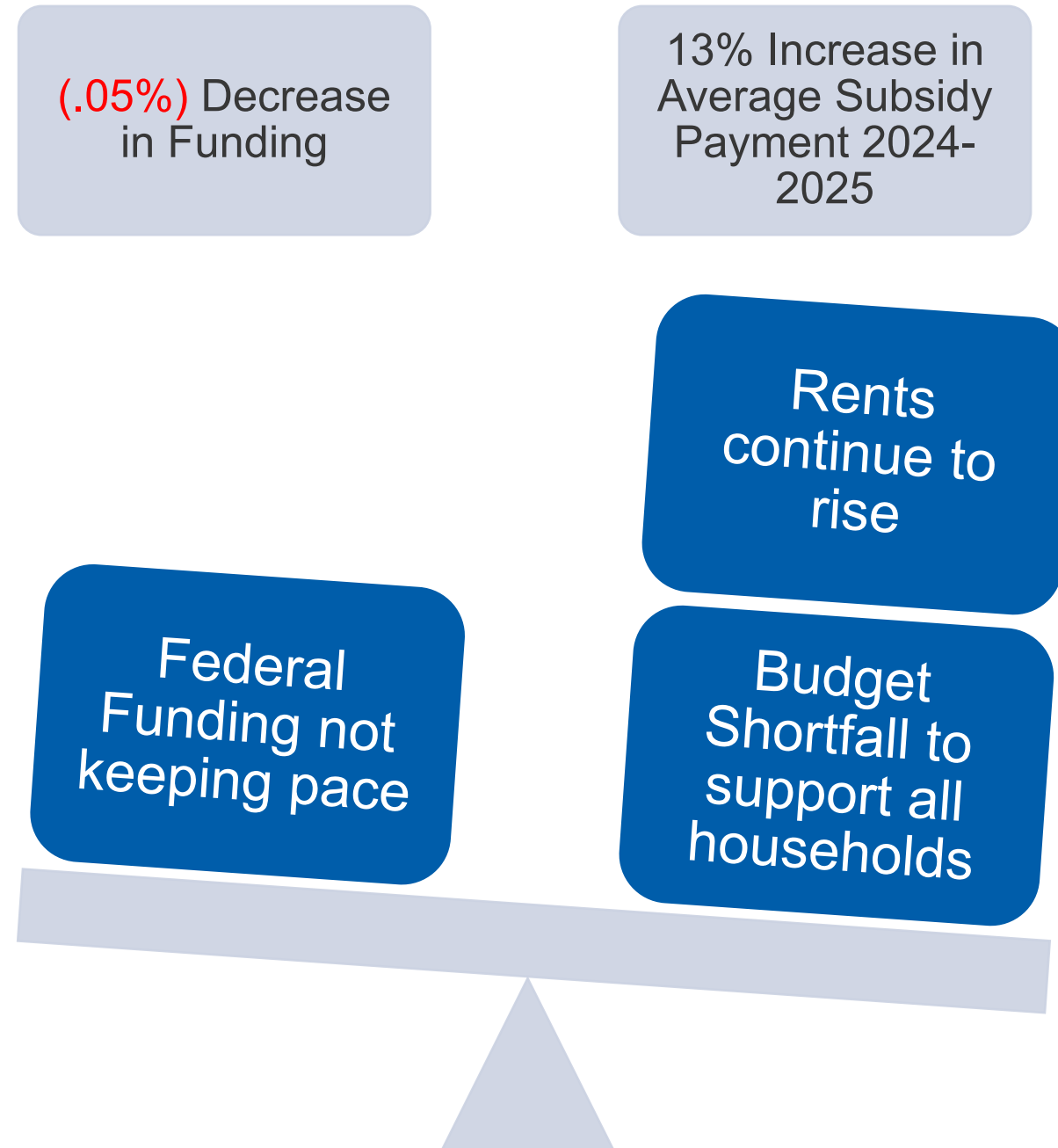
- \$1460 - \$1600
- \$1601 - \$1800
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Average Subsidy and Funding Scenarios

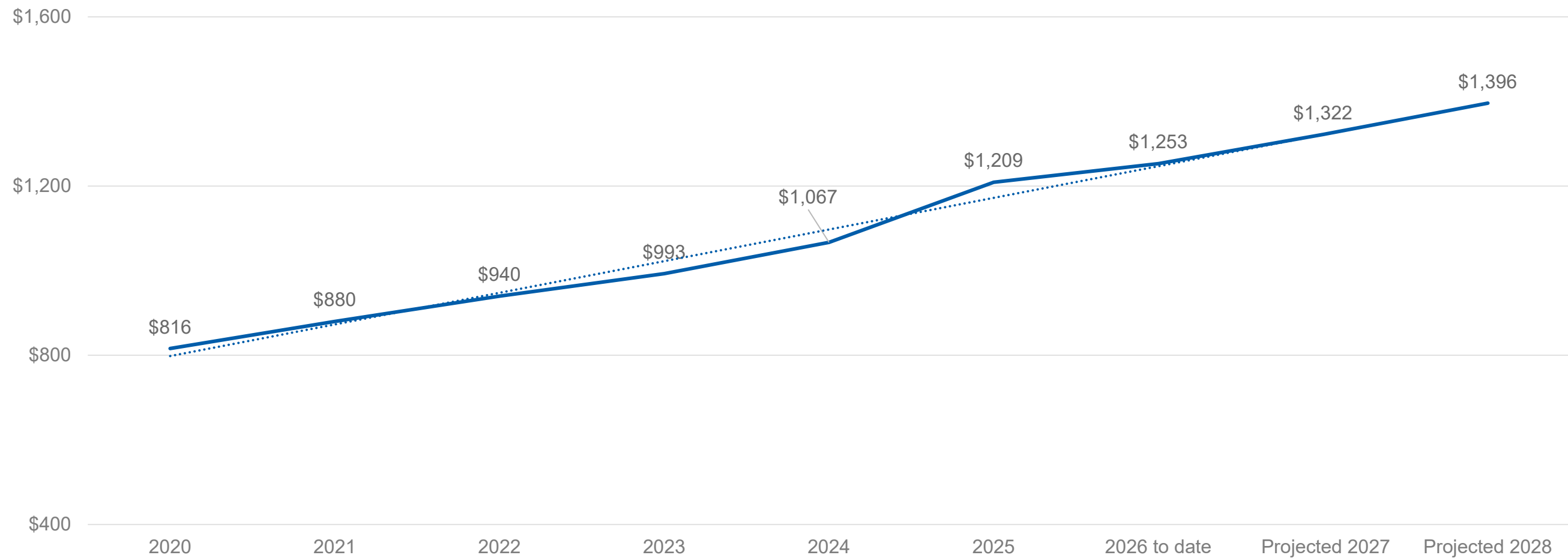


2026 Federal Funding Shortfall



Average Per-Family Subsidy Cost

Steady increase in rents over time



Budget and Subsidy Scenarios

Projected 2026 Subsidy Budget = \$100 million

Number of Vouchers = 7,300

Average Subsidy	Total Annual Subsidy Projection	Shortfall?	Number of Families Served	Reduction in Families	% Families Served
\$1,200	\$105,163,200	-\$11,163,200	6528	-775	89%
\$1,225	\$107,354,100	-\$13,354,100	6395	-908	88%
\$1,250	\$109,500,000	-\$15,545,000	6267	-1036	86%

Options for Consideration





Payment Standard Options

Option 1

- Make minimal changes to bring payment standards into required range
- Required range = 90% to 110% of Small Area Fair Market Rent

Option 2

- Adjust all to 100% of new Small Area Fair Market Rents

Option 3

- Make required changes
- Add Market driven adjustments in 5 zip codes where current payment standards fall below average rents

Option 1 – Required Changes Only

Increase vs. Decreases

- 4 zip codes increase
- 5 zip codes decrease
- 68 zip codes remain same

Cost to Tenant

- Current Rent burden = 43%
- Future Rent burden = 35%
- 51 tenants impacted and whose rent will increase
- Households held harmless – increase in rent not implemented for 2 years

Cost to HRA

- \$122,000
- Reduction in service potential – 10 households

Option 2 – Adjust all zip codes to 100%

Increase vs. Decreases

- 57 zip codes increase
- 20 zip codes decrease
- 0 zip codes remain the same

Tenant Impact

- Current Rent burden = 43%
- Future Rent burden = 18%
- **1,251 tenant's rent will increase**
- Households held harmless – increase in rent not implemented to 2 years.

Implementation Cost

- **\$1,410,516**
- Reduction in service potential - 97 households



Option 3 - Mandatory Changes plus Market Driven Adjustments

Increase vs. Decreases

- 9 zip codes increase
- 5 zip codes decrease
- 63 zip codes remain same

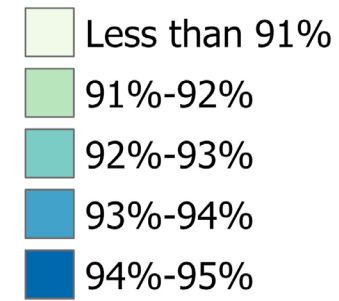
Tenant Impact

- Current Rent burden = 43%
- Future Rent burden = 34%
- 51 tenant's rent will increase
- Households held harmless - increase in rent not implemented for 2 years.

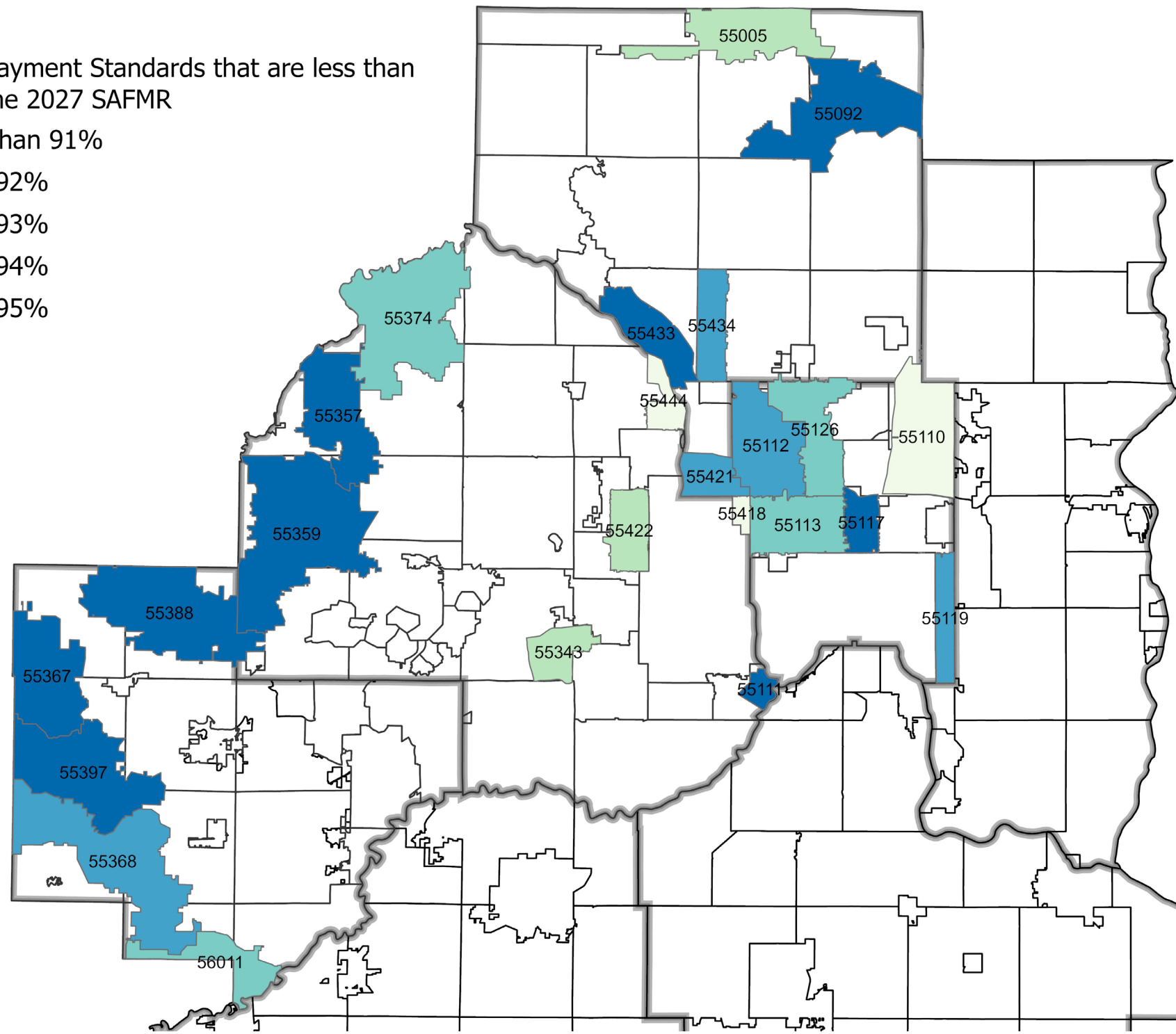
Implementation Cost

- \$400,000 – Cost to HRA
- Reduction in service potential - 27 households

Current Payment Standards that are less than 95% of the 2027 SAFMR



Zip codes where average rents are above current payment standard.

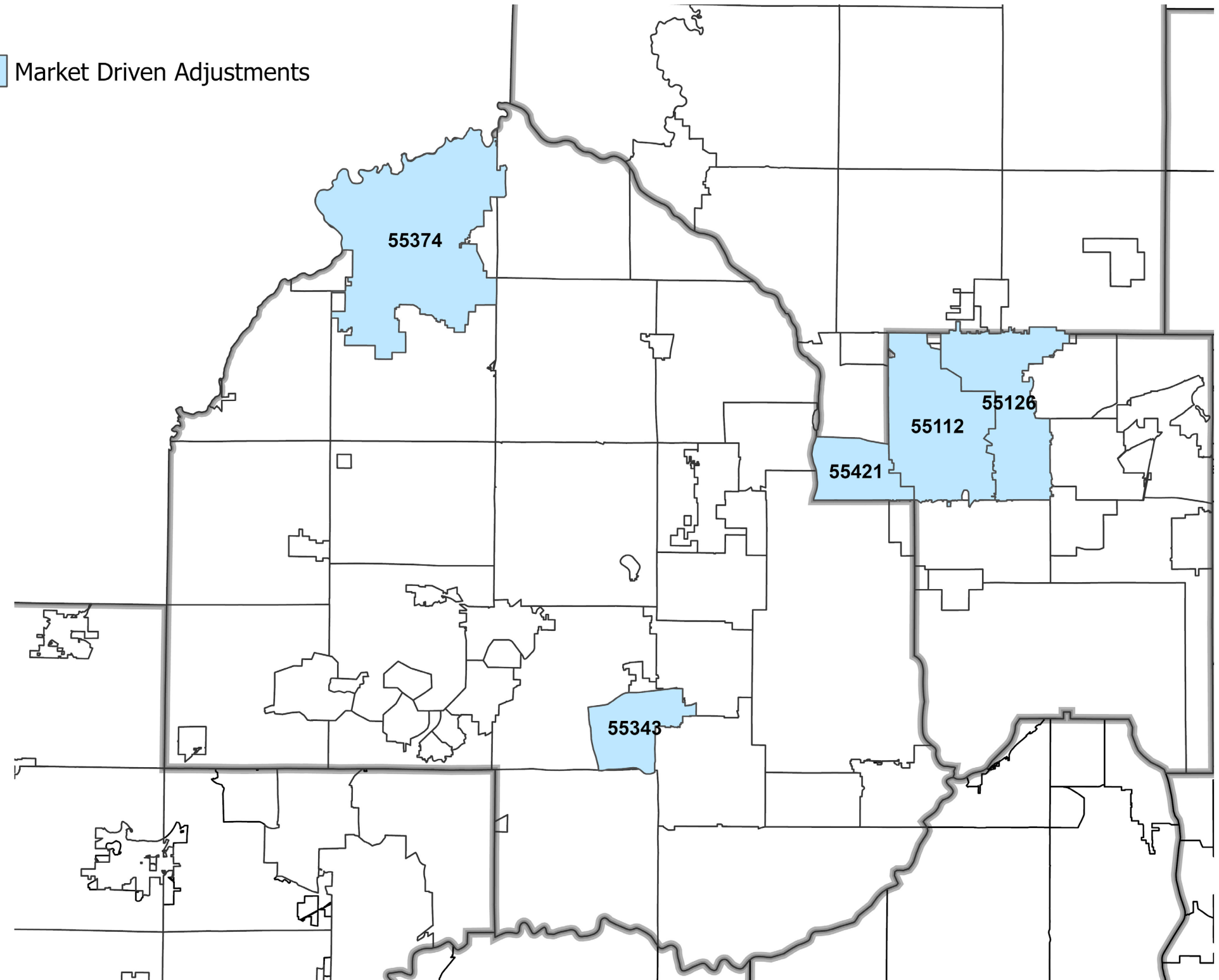


Zip codes where 3 conditions exist indicating need for higher payment standard.

Conditions:

- Average Rents above current payment standards
- Existing vouchers holders rent burdened
- Current payment standard below 95% of Small Area Fair Market Rent

Market Driven Adjustments



Payment Standard Considerations



Things to think about

- Flat funding in 2025 and 2026 reduced program size by 500 households.
 - Flat funding = like a reduction due to increased rents
- 2027 federal budget is very uncertain
- Average rents seem to fall in line with current payment standards, with a few exceptions
- HUD guideline suggests that no more than 40% of voucher holders are rent-burdened
 - All options meet this guideline



Payment Standard Options

Option 1

- Make minimal changes to bring payment standards into required range of 90% to 110% of Small Area Fair Market Rent
- Increase 4 zip codes
- Decrease 5 zip codes, impacting 51 households
- \$122,000
- Potential service reduction – 10 households

Option 2

- Adjust all to 100% of new Small Area Fair Market Rents
- Increase 57 zip codes
- Decrease 20 zip codes, impacting 1,251 households
- \$1,410,516
- Potential service reduction – 97 households

Option 3

- Make required changes
- Add market-driven upward adjustments to 5 zip codes
- Increase 9 zip codes
- Decrease 5 zip codes, impacting 51 households
- \$400,000
- Potential service reduction – 27 households

Looking Ahead



Future Considerations

- Budget uncertainty for 2027
- Reduced program = reduced admin fee
- Program reductions potentially become larger each year without increased funding
- Fiscal responsibility to minimize payment standard increases

Next Steps



Upcoming Dates

- October 19: CDC Information Item
- November 16: CDC Action
- December 2: Council Action
- Quarter 1 2027: Implement new Payment Standards



Thank You

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