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Item: Saint Paul PHA Approves 7% Cuts in Housing Voucher Rents

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Information about the PHA is also posted at: www.stpaulpha.org

- ***SAINT PAUL PUBLIC HOUSING AGENCY WILL CUT CONTRACT RENTS FOR VOUCHERS***

- ***HUD FUNDING CUTS REQUIRE LOWER PAYMENTS TO LANDLORDS***

On Wednesday, June 23, 2004 the Saint Paul Public Housing Agency (PHA) Board of Commissioners approved 7% rent cuts in the Housing Choice Voucher program effective September 1st and other actions to bring voucher costs down to new lower HUD funding levels.

Executive Director Jon Gutzmann said, “These lower voucher rents are based on recent data confirming that rents in our part of the rental market are falling. We also know that rent incentives are commonplace today (“first month’s rent free, signing bonuses, etc.), which further reduces the effective rent levels. We hope that all or most property owners now accepting housing vouchers will continue to do so despite the lower rents and subsidies. For tenants who have to move, we expect that they will find other rental units where their voucher is welcome.”

Tenants and landlords alike welcomed the PHA’s decision to cut voucher rents and subsidy standards by only 7%, since an earlier PHA plan called for 15% rent cuts. Mr. Gutzmann explained that the 7% rent cuts alone will not cover the shortfall in HUD funding. The PHA Board also committed sales proceeds from selling off two vacant parcels of land adjacent to public housing properties. “The money from the land sales was intended to support the public housing program, which has also absorbed subsidy cuts from HUD in recent years. However, now the greater need is to shore up the housing voucher budget through the end of this fiscal year,” Mr. Gutzmann said. He also cautioned that, “These are one-time sales of assets which cannot make up for ongoing cuts in voucher subsidies from HUD.”

Under the federally-funded Housing Choice Voucher program, previously called “Section 8”, the PHA pays federal rent subsidies to private property owners who rent to qualified low income families and individuals. Tenants pay 30% of their adjusted income toward rent and utilities. The PHA pays the balance of the rent, up to the subsidy limit. If the rent is higher than that limit, the tenant pays the extra amount.

After the reductions in rents and subsidies take effect, most tenants’ payments for rent and utilities will stay the same (for 66% of tenants) and the PHA’s subsidy payment will go down. Some tenants (20%) will pay \$1-50 a month more, and about 14% will pay \$1-20 less. The tenants whose rents go down will still be paying more than 30% of their income.

The PHA administers the voucher subsidies for about 4,000 privately-owned homes and apartments, providing affordable housing to over 10,000 individuals. In the public housing program, the PHA owns and manages over 4200 rental homes and apartments for low income families and individuals, also housing about 10,000 residents. In both programs the tenants pay about 30% of their household income for rent and utilities, and the federal subsidies make up the difference. Taken together, the public housing and voucher programs will return over \$55 million in federal tax dollars to Saint Paul this year.

- The 7% rent reduction will take effect September 1st for all leases. The 7% cut in voucher subsidy standards will take effect for new leases signed on or after that date, phasing in over the next two years for current units.
- In most (66%) cases, the 7% rent cut will reduce PHA’s subsidy payment by that dollar amount. In some cases the tenant’s payment and the PHA’s payment will both go down.
- The subsidy limit (“payment standard”) for a two-bedroom apartment will go from \$948 a month down to \$884, or \$64 less.
 - A tenant whose current rent (including utilities) is \$900 may now be paying \$500 a month, based on 30% of their income, and the PHA pays the other \$400. After September 1st the rent will go down to \$837 (7% lower) and the tenant will still pay \$500 of that. The PHA’s subsidy will go down to \$337.
 - If the same tenant rented a two-bedroom apartment for \$1000 a month, the PHA would pay \$448 and the tenant would pay the other \$552 (including \$500 based on 30% of income plus the \$52 excess rent above the \$948 payment standard). After September 1st the rent will go down to \$930 (7% lower). When the new payment standard of \$884 takes effect (after a new lease signing) the tenant will pay \$546 (including \$500 based on 30% of income plus the \$46 rent above the subsidy limit).
 - In other cases the tenant may pay somewhat more than currently, after the rent and subsidy reductions take effect.

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