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Part III

Department of Housing and Urban Development

**Proposed Fair Market Rents for Fiscal
Year 2008 for the Housing Choice
Voucher Program and Moderate
Rehabilitation Single Room Occupancy
Program; Notice**

**DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

[Docket No. FR-5152-N-01]

**Proposed Fair Market Rents for Fiscal
Year 2008 for the Housing Choice
Voucher Program and Moderate
Rehabilitation Single Room Occupancy
Program**

AGENCY: Office of the Assistant Secretary for Policy Development and Research, HUD.

ACTION: Notice of Proposed Fiscal Year (FY) 2008 Fair Market Rents (FMRs).

SUMMARY: Section 8(c)(1) of the United States Housing Act of 1937 (USHA) requires the Secretary to publish FMRs periodically, but not less than annually, adjusted to be effective on October 1 of each year. Today's notice proposes FMRs for FY2008. The proposed numbers amend FMR schedules used to determine payment standard amounts for the Housing Choice Voucher program, to determine initial renewal rents for some expiring project-based Section 8 contracts, and to determine initial rents for housing assistance payment (HAP) contracts in the Moderate Rehabilitation Single Room Occupancy program. Other programs may require use of FMRs for other purposes.

The proposed FY2008 FMR areas are based on current Office of Management and Budget (OMB) metropolitan area definitions and include HUD modifications, that were first used in the determination of FY2006 FMR areas. The changes OMB made to the metropolitan area definitions in December 2006 are also incorporated. This means that there are two new one-county Metropolitan Statistical Areas (MSAs), and a few areas where MSA name changes add or delete a primary city name.

Proposed FY2008 FMRs are based on 2000 Census data updated with more current survey data. For the first time, HUD is using data from the Census Bureau's American Community Survey (ACS). HUD is largely replacing the accumulated 2001-through-2005 FMR update factors from various sources with data from ACS's first full implementation year, 2005. HUD uses ACS data in different ways according to how many 2-bedroom standard quality and recent mover sample cases are available in the FMR area or in its Core-Based Statistical Area (CBSA), as described in detail later in this notice. Random digit dialing (RDD) surveys performed between 2001 and 2005 may also be used under certain conditions. Revised 2005 FMRs based on 2000

Census and 2005 ACS data have been updated with Consumer Price Index (CPI) data through the end of 2006 and then trended to April 2008, the mid-point of FY2008. Proposed FY2008 FMRs are the first to be able to take advantage of the full-implementation ACS, a major new Census survey that is being conducted annually and that will replace the Decennial Census "long-form" sample survey that is the source of the Decennial Census rent information. The ACS will permit more accurate FMR estimates each year than were possible using the Decennial Census trending techniques of previous FMR estimates.

DATES: Comment Due Date: August 13, 2007.

ADDRESSES: Interested persons are invited to submit comments regarding HUD's estimates of the FMRs, as published in this notice, to the Office of General Counsel, Rules Docket Clerk, Department of Housing and Urban Development, 451 Seventh Street, SW., Room 10276, Washington, DC 20410-0001. Communications should refer to the above docket number and title and should contain the information specified in the "Request for Comments" section.

Submission of Hard Copy Comments. To ensure that the information is fully considered by all of the reviewers, each commenter that is submitting hard copy comments, by mail or hand delivery, is requested to submit two copies of its comments to the address above, one addressed to the attention of the Rules Docket Clerk and the other addressed to the attention of Economic and Market Analysis Division staff in the appropriate HUD field office. Due to security measures at all federal agencies, submission of comments by mail often results in delayed delivery. To ensure timely receipt of comments, HUD recommends that any comments submitted by mail be submitted at least 2 weeks in advance of the public comment deadline to ensure timely receipt by HUD.

Electronic Submission of Comments. Since July 2004, HUD has been able to receive comments electronically. Interested persons may now submit comments electronically through the Federal eRulemaking Portal at <http://www.regulations.gov>. HUD strongly encourages commenters to submit comments electronically, because doing so allows the commenter maximum time to prepare and submit a comment, ensures timely receipt by HUD, and enables HUD to make comments immediately available for viewing by other commenters and interested

members of the public. Commenters should follow instructions provided on that site to submit comments electronically.

No Facsimile Comments. Facsimile (FAX) comments are not acceptable.

Public Inspection of Comments. All comments and communications submitted to HUD will be available, without charge, for public inspection and copying between 8 a.m. and 5 p.m. weekdays at the above address. Due to security measures at the HUD Headquarters building, an advance appointment to review the public comments must be scheduled by calling the Regulations Division at (202) 708-3055 (this is not a toll-free number). Copies of all comments submitted are available for inspection and downloading at <http://www.regulations.gov>.

FOR FURTHER INFORMATION CONTACT: For technical information on the methodology used to develop FMRs or a listing of all FMRs, please call the HUD USER information line at (800) 245-2691 or access the information at the following link on the HUD Web site: <http://www.huduser.org/datasets/fmr.html>. FMRs are listed at the 40th or 50th percentile in Schedule B. For informational purposes, 40th percentile recent mover rents for the areas with 50th percentile FMRs will be provided in the HUD FY2008 FMR documentation system at <http://www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr08>.

Questions related to use of FMRs or voucher payment standards should be directed to the respective local HUD program staff. Questions on how to conduct FMR surveys or further methodological explanations may be addressed to Marie L. Lihn or Lynn A. Rodgers, Economic and Market Analysis Division, Office of Economic Affairs, Office of Policy Development and Research, telephone number (202) 708-0590. Persons with hearing or speech impairments may access this number through TTY by calling the toll-free Federal Information Relay Service at (800) 877-8339. (Other than the HUD USER information line and TTY numbers, telephone numbers are not toll-free.)

SUPPLEMENTARY INFORMATION:
I. Background

Section 8 of the USHA (42 U.S.C. 1437f) authorizes housing assistance to aid lower-income families in renting safe and decent housing. Housing assistance payments are limited by FMRs established by HUD for different areas. In the Housing Choice Voucher

program, the FMR is the basis for determining the “payment standard amount” used to calculate the maximum monthly subsidy for an assisted family (see 24 CFR 982.503). In general, the FMR for an area is the amount that would be needed to pay the gross rent (shelter rent plus utilities) of privately owned, decent, and safe rental housing of a modest (nonluxury) nature with suitable amenities. In addition, all rents subsidized under the Housing Choice Voucher program must meet reasonable rent standards. The interim rule published on October 2, 2000 (65 FR 58870), established 50th percentile FMRs for certain areas.

Electronic Data Availability: This **Federal Register** notice is available electronically from the HUD Web site at <http://www.hudclips.org>. **Federal Register** notices also are available electronically from the U.S. Government Printing Office Web site, <http://www.gpoaccess.gov/fr/index.html>.

Albuquerque, NM MSA
Chicago-Naperville-Joliet, IL HMFA
Fort Worth-Arlington, TX HMFA
Houston-Baytown-Sugar Land, TX HMFA
Las Vegas-Paradise, NV MSA
Phoenix-Mesa-Scottsdale, AZ MSA
Virginia Beach-Norfolk-Newport News, VA-NC MSA

Ten areas that became 50th percentile FMR areas in FY2006, along with the above 14 areas allowed to continue, will

Baltimore-Towson, MD MSA
Honolulu, HI MSA
New Haven-Meriden, CT HMFA
Riverside-San Bernardino-Ontario, CA MSA
Tacoma, WA HMFA

Four newly eligible 50th percentile areas in FY2007 will be evaluated in FY2010. These four areas are:

Dallas, TX HMFA
San Diego-Carlsbad-San Marcos, CA MSA

III. FMR Methodology

The FY2008 FMRs are based on current OMB metropolitan area definitions that were first used in the FY2006 FMRs. The changes OMB made to the Metropolitan Area Definitions in December 2006 are incorporated. This means there are two new one-county MSAs, and a few areas where MSA name changes add or delete a primary city name. These definitions have the advantages that they are based on more current (2000 Census) data, use a more

Complete documentation of the methodology and data used to compute each area's Proposed FY2008 FMRs is available at <http://www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr08>.

II. Procedures for the Development of FMRs

Section 8(c) of the USHA requires the Secretary of HUD to publish FMRs periodically, but not less frequently than annually. Section 8(c) states in part, as follows:

Proposed fair market rentals for an area shall be published in the **Federal Register** with reasonable time for public comment and shall become effective upon the date of publication in final form in the **Federal Register**. Each fair market rental in effect under this subsection shall be adjusted to be effective on October 1 of each year to reflect changes—based on the most recent available data trended so the rentals will be current for the year to which they apply—of rents for existing or newly constructed rental dwelling

units, as the case may be, of various sizes and types in this section.

HUD's regulations at 24 CFR 888 provide that HUD will develop proposed FMRs, publish them for public comment, provide a public comment period of at least 30 days, analyze the comments, and publish final FMRs (see 24 CFR 888.115).

In addition, HUD's regulations at 24 CFR 888.113 set out procedures for HUD to assess whether areas are eligible for FMRs at the 50th percentile. For FY2008, no new areas have become eligible for 50th percentile rents. Areas that qualified for 50th percentile FMRs and were at this FMR for 3 years were reviewed in FY2006. The 14 areas that were allowed to continue to use the 50th percentile rents will be reviewed again in FY2009, to measure their continued progress towards deconcentration. These areas are listed in the table ¹ below:

Austin-Round Rock, TX MSA.
Denver-Aurora, CO MSA.
Grand Rapids-Wyoming, MI HMFA.
Kansas City, MO-KS HMFA.
Orange County, CA HMFA.
Richmond, VA HMFA.
Washington-Arlington-Alexandria, DC-VA-MD HMFA.

be evaluated for the first time in FY2009. These 10 new areas are:

Hartford-West-Hartford-East-Hartford, CT HMFA.
Milwaukee-Waukesha-West Allis, WI MSA.
Providence-Fall River, RI-MA HMFA.
Sarasota-Bradenton-Venice, FL MSA.
Tucson, AZ MSA.

Fort Lauderdale, FL HMFA.
West Palm Beach-Boca Raton, FL HMFA.

relevant commuting interchange standard, and generally provide a better measure of current housing market relationships. HUD had three objectives in defining FMR areas for FY2006: (1) To incorporate new OMB metropolitan area definitions so the FMR estimation system can employ new data released according to those definitions; (2) to better reflect current housing markets; and (3) to minimize the number of large changes in FMRs due to use of the new OMB definitions. These objectives continue to apply to the proposed

FY2008 FMRs, and area definitions were developed to achieve these objectives as follows:

- FMR Census Base Rents and Median Family Incomes were calculated for each of the new OMB metropolitan areas using 2000 Census data.
- Subparts of any of the new areas that had separate FMRs under the old OMB definitions, and that had a sufficiently large 2000 Census count of recent mover renter households in standard quality units, were identified, and 2000 Census Base Rents and

¹ As shown in the table, HMFA is an acronym for HUD Metro FMR Area, which is a MSA sub-area,

or the remaining portions of a MSA after sub-areas have been determined.

Median Family Incomes for these subparts were calculated. Only the subparts within the new OMB metropolitan area were included in these calculations (e.g., counties that had been excluded from the new OMB metropolitan areas were not included).

- Metropolitan subparts of new areas that had previously had separate FMRs were assigned their own FMRs if their 2000 Census Base Rents differed by more than 5 percent from the new OMB area 2000 Census Base Rent, or if their 2000 Census Median Family Income differed by more than 5 percent from the new OMB area 2000 Census Median Family Income.

- Former metropolitan counties removed from metropolitan areas get their own FMRs.

At HUD's request, the Census Bureau prepared a special publicly releasable census file that permits almost exact replication of HUD's 2000 Base Rent calculations, except for areas with few rental units. This data set is located on HUD's HUD USER Web site at <http://www.huduser.org/datasets/fmr/CensusRentData/>.

A. Data Sources—2000 Census and 2005 American Community Survey

Proposed FY2008 FMRs are based on 2000 Census data updated with more current survey data. For the first time, HUD is using data from the Census Bureau's ACS; the ACS data are from 2005, the full survey's first implementation year. While the Census Bureau intends for the ACS to replace the decennial census sample "long form" for collecting detailed socio-economic data, the ACS has several important distinctions from the decennial long form. These include:

- The ACS is conducted on a continuous "rolling" basis throughout the year. As a result, survey responses do not correspond to a particular date, whereas the long form responses are as of the census date of April 1. This has implications for the as-of date assumed for ACS-based rents. The "as of" date for ACS-based rents is set at June 30, 2005.

- The ACS has about one-fifth the sample size of the decennial long form, which surveyed approximately one out of every six households. This means that an adequate sample size for one-year ACS data will be available only for very large population geographic areas, and that data for smaller areas will be accumulated over 3 or 5 years to form the basis of decennial long form equivalent estimates.

In the proposed FY2008 FMRs, HUD is largely replacing the accumulated 2001-through-2005 FMR update factors

from various sources with 2005 ACS data (RDDs performed between 2001 and 2005 will be used under certain conditions described below). HUD uses ACS data in different ways according to how many two-bedroom standard quality and recent mover sample cases are available in the FMR area or the CBSA. FMR areas are classified into four ACS data availability categories:

ACS-1. FMR Areas that have at least 200 sample cases of two-bedroom standard quality rents. ACS-1 areas may be entire MSAs, sub-areas that are assigned the CBSA base rents, other sub-areas, or large nonmetropolitan counties.

ACS-2. FMR Areas that are sub-areas of CBSAs where the sub-area is not assigned the CBSA base rent, and the sub-area does not have at least 200 sample cases of two-bedroom standard quality rents, but the CBSA containing the sub-area does have at least 200 sample cases of two-bedroom standard quality rents.

ACS-3. FMR Areas that are MSAs or nonmetropolitan counties that have fewer than 200 sample cases of two-bedroom standard quality rents, or sub-areas of CBSAs that have fewer than 200 sample cases of two-bedroom standard quality rents.

ACS-4. FMR Areas that have at least 200 sample cases of two-bedroom recent mover rents. ACS-4 areas may be entire MSAs, sub-areas that are assigned CBSA rents, other sub-areas, or large nonmetropolitan counties. By definition, these areas are a subset of ACS-1 areas.

In ACS-1 FMR areas, the 2000 Census-to-2005 ACS update factor is the ratio of the 2005 ACS two-bedroom standard quality rent to the 2000 Census two-bedroom standard quality rent for the FMR Area.

In ACS-2 FMR areas, the 2000 Census-to-2005 ACS update factor is either (1) the ratio of the 2005 ACS two-bedroom standard quality rent to the 2000 Census two-bedroom standard quality rent for the CBSA containing the FMR Area, or (2) the ratio of the 2005 ACS two-bedroom standard quality rent to the 2000 Census two-bedroom standard quality rent for the entire state (or population-weighted average of states) containing the FMR area, whichever brings its 2005 updated rent closer to the value of its CBSA 2005 updated rent.

In ACS-3 FMR areas, the 2000 Census-to-2005 ACS update factor is the ratio of the 2005 ACS two-bedroom standard quality rent to the 2000 Census two-bedroom standard quality rent for the parts of the state not in ACS-1 or ACS-2 FMR areas, or the population-

weighted average factor across such parts of the states containing each multi-state FMR area. In cases where there are fewer than 200 sample cases of 2005 ACS two-bedroom standard quality rents in the parts of the state not in ACS-1 or ACS-2 areas, HUD uses the ratio of the 2005 ACS two-bedroom standard quality rent to the 2000 Census two-bedroom standard quality rent for the entire state containing the FMR area as the update factor.

In ACS-4 FMR areas, the local 2005 ACS recent mover rent becomes a new base rent for 2005, if the updated 2000 Census base rent is outside its 90 percent confidence interval and the recent mover rent is greater than the local standard quality rent. This means that the ACS is used to replace the updated 2000 base rent with a 2005 local ACS base rent.

B. Data Sources—Legacy RDDs

The Department regularly obtains additional rent survey data to update the FMRs in the form of RDD telephone rent surveys meeting the Department's statistical criteria for updating FMRs. HUD conducted numerous RDD surveys between 2001 and 2005, and also accepted a number of non-HUD RDD surveys to update FMRs during this time period. Since these RDDs were performed according to the FMR area geography in place at the time, they may not provide usable coverage of FY2008 FMR areas. RDD surveys performed between 2001 and 2005 are used to update or replace 2000 Census base rents in ACS-2 and ACS-3 FMR areas under the following conditions (in ACS-1 and ACS-4 FMR areas the ACS results are deemed superior to legacy RDD results and legacy RDDs are not evaluated²):

- The RDD was the most recent RDD performed for the area.

- The RDD is "Accepted," meaning the updated 2000 Census base rent for the RDD area (prorated to the RDD month) is outside the 95 percent confidence interval of the RDD.

- If the Accepted RDD area covers at least 75 percent of the population of the FMR area, and the FMR area's population in the Accepted RDD area is at least 75 percent of the Accepted RDD area, the new base rent is the Accepted RDD result. If these conditions do not hold, the RDD is not used.

² The results of certain special case RDDs performed in ACS-1, ACS-2, and ACS-4 areas that, for example, adjusted bedroom rent ratios derived from the 2000 Census, may still be used on a case-by-case basis as noted in the FY2008 FMR Documentation System; see <http://www.huduser.org/datasets/fmr/fmrs/index.asp?data-fmr08>.

FMR area base rents affected by Legacy RDDs from 2001 to 2005 are updated to 2005 using the prorated 2000 Census to 2005 ACS update factor (from the RDD month to June 2005) for the area.

C. FMR Updates from 2005 to 2006

Local CPI data is used to move rents from June 2005 to the end of 2006 for FMR areas with at least 75 percent of their population within Class A metropolitan areas covered by local CPI data. Census region CPI data is used for FMR areas in Class B and C size metropolitan areas and nonmetropolitan areas without local CPI update factors.

D. FMR Updates from 2006 to 2008

The national 1990 to 2000 average annual rent increase trend of 1.03 is applied for 1.25 years.

E. Additional Rent Surveys and Other Data

Post-2005 RDDs are evaluated against the 2005 ACS-based rent trended to the RDD month by the appropriate proportion (root) of the 2005-to-2008 update factors. For example, if the RDD was conducted in August 2006, then the appropriate root (14/18) of the 2005-to-2006 CPI-based update is used to update the 2005 ACS rent. If the RDD was conducted in February 2007, then the entire CPI update factor is applied to the 2005 rent, and the appropriate root (2/15) of the December 2006-to-April 2008 update is applied. If the updated 2005 rent is outside the 95 percent confidence interval of the RDD, then the RDD is "Accepted." Accepted RDD results are trended to April 2008 using the remainder of the 2005-to-2008 update factors.

The FMR bonuses related to the impact of Hurricane Katrina for Baton Rouge, Louisiana, and New Orleans, first applied on March 6, 2006, are proposed to continue to be applied in the FY2008 FMRs. The 2005 ACS was conducted largely before the impact of Hurricane Katrina or before its effects on the rental market could be detected in the survey. Because the ACS indicates that the 2000-to-2005 FMR update factors for these areas should be lower than for other data sources used in FY2007 and earlier FMRs, HUD is adjusting the bonus percentages to 15 percent in Baton Rouge and 35 percent in New Orleans, as subsequent research shows that the tight rental market conditions in both areas indicate that FMRs should not be reduced.

The area-specific data and computations used to calculate proposed FY2008 FMRs and FMR area definitions can be found at [http://](http://www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr08)

www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr08.

F. Large Bedroom Rents

FMR estimates are calculated for two-bedroom units. This generally is the most common size of rental units, and therefore the most reliable to survey and analyze. After each decennial census, rent relationships between two-bedroom units and other unit sizes are calculated and used to set FMRs for other units. This is done because it is much easier to update two-bedroom estimates and to use pre-established cost relationships with other bedroom sizes than it is to develop independent FMR estimates for each bedroom size. This was last done using 2000 Census data. A publicly releasable version of the data file used that permits derivations of rent ratios is available at <http://www.huduser.org/datasets/fmr/CensusRentData/index.html>.

The rents for three-bedroom and larger units continue to reflect HUD's policy to set higher rents for these units than would result from using normal market rents. This adjustment is intended to increase the likelihood that the largest families, who have the most difficulty in leasing units, will be successful in finding eligible program units. The adjustment adds bonuses of 8.7 percent to the unadjusted three-bedroom FMR estimates and adds 7.7 percent to the unadjusted four-bedroom FMR estimates. The FMRs for unit sizes larger than four bedrooms are calculated by adding 15 percent to the four-bedroom FMR for each extra bedroom. For example, the FMR for a five-bedroom unit is 1.15 times the four-bedroom FMR, and the FMR for a six-bedroom unit is 1.30 times the four-bedroom FMR. FMRs for single-room occupancy units are 0.75 times the zero-bedroom (efficiency) FMR.

A further adjustment was made using 2000 Census data in establishing rent ratios for areas with local bedroom-size intervals above or below what are considered to be reasonable ranges or where sample sizes are inadequate to accurately measure bedroom rent differentials. HUD's experience has shown that highly unusual bedroom ratios typically reflect inadequate sample sizes or peculiar local circumstances that HUD would not want to utilize in setting FMRs (e.g., luxury efficiency apartments that rent for more than typical one-bedroom units). Bedroom interval ranges were established based on an analysis of the range of such intervals for all areas with large enough samples to permit accurate bedroom ratio determinations. The ranges used were: efficiency units are

constrained to fall between 0.65 and 0.83 of the two-bedroom FMR; one-bedroom units must be between 0.76 and 0.90 of the two-bedroom unit; three-bedroom units must be between 1.10 and 1.34 of the two-bedroom unit; and four-bedroom units must be between 1.14 and 1.63 of the two-bedroom unit. Bedroom rents for a given FMR area were then adjusted if the differentials between bedroom-size FMRs were inconsistent with normally observed patterns (i.e., efficiency rents were not allowed to be higher than one-bedroom rents and four-bedroom rents were not allowed to be lower than three-bedroom rents).

For low-population, nonmetropolitan counties with small census recent-mover rent samples, census-defined county group data were used in determining rents for each bedroom size. This adjustment was made to protect against unrealistically high or low FMRs due to insufficient sample sizes. The areas covered by this new estimation method had less than the HUD standard of 200 two-bedroom census-tabulated observations.

IV. Manufactured Home Space Surveys

The FMR used to establish payment standard amounts for the rental of manufactured home spaces in the Housing Choice Voucher program is 40 percent of the FMR for a two-bedroom unit. HUD will consider modification of the manufactured home space FMRs where public comments present statistically valid survey data showing the 40th percentile manufactured home space rent (including the cost of utilities) for the entire FMR area.

All approved exceptions to these rents that were in effect in FY2007 were updated to FY2008 using the same data used to estimate the Housing Choice Voucher program FMRs if the respective FMR area's definition had remained the same. If the result of this computation was higher than 40 percent of the re-benchmarked two-bedroom rent, the exception remains and is listed in Schedule D. The FMR area definitions used for the rental of manufactured home spaces are the same as the area definitions used for the other FMRs. Areas with definitional changes that previously had exceptions to their manufactured housing space rental FMRs are requested to submit new surveys to justify higher-than-standard space rental FMRs if they believe higher space rental allowances are needed.

V. Request for Public Comments

HUD seeks public comments on FMR levels for specific areas. Comments on FMR levels must include sufficient

information (including local data and a full description of the rental housing survey methodology used) to justify any proposed changes. Changes may be proposed in all or any one or more of the unit-size categories on the schedule. Recommendations and supporting data must reflect the rent levels that exist within the entire FMR area.

For the supporting data, HUD recommends the use of professionally conducted RDD telephone surveys to test the accuracy of FMRs for areas where there is a sufficient number of Section 8 units to justify the survey cost of approximately \$35,000. Areas with 2,000 or more program units usually meet this cost criterion, and areas with fewer units may meet it if actual rents for two-bedroom units are significantly different from the FMRs proposed by HUD. In addition, HUD has developed a version of the RDD survey methodology for smaller, nonmetropolitan PHAs. This methodology is designed to be simple enough to be done by the PHA itself, rather than by professional survey organizations, at a cost of \$5,000 or less.

PHAs in nonmetropolitan areas may, in certain circumstances, conduct surveys of groups of counties. HUD must approve all county-grouped surveys in advance. PHAs are cautioned that the resulting FMRs will not be identical for the counties surveyed. Each individual FMR area will have a separate FMR based on the relationship of rents in that area to the combined rents in the cluster of FMR areas. In addition, PHAs are advised that counties where FMRs are based on the combined rents in the cluster of FMR areas will not have their FMRs revised unless the grouped survey results show a revised FMR above the combined rent level.

PHAs that plan to use the RDD survey technique should obtain a copy of the appropriate survey guide. Larger PHAs should request HUD's survey guide entitled "Random Digit Dialing Surveys; A Guide to Assist Larger Public Housing Agencies in Preparing Fair Market Rent Comments." Smaller PHAs should obtain the guide entitled "Rental Housing Surveys: A Guide to Assist Smaller Public Housing Agencies in Preparing Fair Market Rent Comments." These guides are available from HUD USER at HUD's Web site, in Microsoft Word format, at the following address: <http://www.huduser.org/datasets/fmr.html>.

Other survey methodologies are acceptable in providing data to support comments, if the survey methodology can provide statistically reliable, unbiased estimates of the gross rent.

Survey samples should preferably be randomly drawn from a complete list of rental units for the FMR area. If this is not feasible, the selected sample must be drawn to be statistically representative of the entire rental housing stock of the FMR area. Surveys must include units at all rent levels and be representative by structure type (including single-family, duplex, and other small rental properties), age of housing unit, and geographic location. The decennial census should be used as a means of verifying if a sample is representative of the FMR area's rental housing stock.

Most surveys of FMR areas cover only one- and two-bedroom units. If the survey is statistically acceptable, HUD will estimate FMRs for other bedroom sizes using ratios based on the decennial census. A PHA or contractor that cannot obtain the recommended number of sample responses after reasonable efforts should consult with HUD before abandoning its survey; in such situations, HUD may find it appropriate to relax normal sample size requirements.

HUD will consider increasing manufactured home space FMRs where public comment demonstrates that 40 percent of the two-bedroom FMR is not adequate. In order to be accepted as a basis for revising the manufactured home space FMRs, comments must include a pad rental survey of the mobile home parks in the area, identify the utilities included in each park's rental fee, and provide a copy of the applicable public housing authority's utility schedule.

Accordingly, the Fair Market Rent Schedules, which will not be codified in 24 CFR Part 888, are proposed to be amended as shown in the Appendix to this notice.

Dated: June 27, 2007.

Darlene F. Williams,

Assistant Secretary for Policy, Development and Research.

Fair Market Rents for the Housing Choice Voucher Program

Schedules B and D—General Explanatory Notes

1. Geographic Coverage

a. Metropolitan Areas—FMRs are market-wide rent estimates that are intended to provide housing opportunities throughout the geographic area in which rental-housing units are in direct competition. The proposed FY2008 FMRs reflect a change in metropolitan area definitions. HUD is using the metropolitan CBSAs, which are made up of one or more counties, as

defined by the OMB, with some modifications. HUD is generally assigning separate FMRs to the component counties of CBSA Metropolitan Areas.

b. Modifications to OMB Definitions—Following OMB guidance, the estimation procedure for the FY2008 proposed FMRs incorporates the current OMB definitions of metropolitan areas based on the CBSA standards as implemented with 2000 Census data, but makes adjustments to the definitions to separate subparts of these areas where FMRs or median incomes would otherwise change significantly if the new area definitions were used without modification. In CBSAs where sub-areas are established, it is HUD's view that the geographic extent of the housing markets are not yet the same as the geographic extent of the CBSAs, but may become so in the future as the social and economic integration of the CBSA component areas increases. Modifications to metropolitan CBSA definitions are made according to a formula as described below.

Metropolitan area CBSAs (referred to as Metropolitan Statistical Areas or MSAs) may be modified to allow for sub-area FMRs within MSAs based on the boundaries of old FMR areas (OFAs) within the boundaries of new MSAs. (OFAs are the FMR areas defined for the FY2005 FMRs. Collectively, they include 1999 definition MSAs/PMSAs, metropolitan counties deleted from 1999 definition MSAs/PMSAs by HUD for FMR purposes, and counties and county parts outside of 1999 definition MSAs/PMSAs referred to as nonmetropolitan counties.) Sub-areas of MSAs are assigned their own FMRs when the sub-area 2000 Census Base Rent differs by at least 5 percent from the MSA 2000 Census Base Rent (i.e., by at most 95 percent or at least 105 percent), or when the 2000 Census Median Family Income for the sub-area differs by at least 5 percent from the MSA 2000 Census Median Family Income. MSA sub-areas, and the remaining portions of MSAs after sub-areas have been determined, are referred to as HUD Metro FMR Areas (HMFAs) to distinguish these areas from OMB's official definition of MSAs.

The specific counties and New England towns and cities within each state in MSAs and HMFAs are listed in Schedule B.

2. Bedroom Size Adjustments

Schedule B shows the FMRs for zero-bedroom through four-bedroom units. The FMRs for unit sizes larger than four bedrooms are calculated by adding 15 percent to the four-bedroom FMR for

each extra bedroom. For example, the FMR for a five-bedroom unit is 1.15 times the four-bedroom FMR, and the FMR for a six-bedroom unit is 1.30 times the four-bedroom FMR. FMRs for single-room-occupancy (SRO) units are 0.75 times the zero-bedroom FMR.

3. Arrangement of FMR Areas and Identification of Constituent Parts

a. The FMR areas in Schedule B are listed alphabetically by metropolitan

FMR area and by nonmetropolitan county within each state. The exception rents for manufactured home spaces FMRs are listed alphabetically in Schedule D.

b. The constituent counties (and New England towns and cities) included in each metropolitan FMR area are listed immediately following the listings of the FMR dollar amounts. All constituent parts of a metropolitan FMR area that

are in more than one state can be identified by consulting the listings for each applicable state.

c. Two nonmetropolitan counties are listed alphabetically on each line of the nonmetropolitan county listings.

d. The New England towns and cities included in a nonmetropolitan part of a county are listed immediately following the county name.

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