



Federal Register

**Monday,
October 1, 2007**

Part III

Department of Housing and Urban Development

**Final 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-02]

Final 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 Final Fair Market Rents (FMRs) for Fiscal Year (FY) 2008.

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. The primary uses of FMRs are to determine payment standard amounts for the Housing Choice Voucher program, to determine initial renewal rents for some expiring project-based section 8 contracts, to determine initial rents for housing assistance payment (HAP) contracts in the Moderate Rehabilitation Single Room Occupancy program (Mod Rehab), and to serve as a rent ceiling in the HOME rental assistance program. Today's notice provides final FY2008 FMRs for all areas that reflect the estimated 40th and 50th percentile rent levels trended to April 1, 2008. The 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 two-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, as well as some limited private 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 midpoint of FY2008. 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. The ACS will replace the Decennial Census "long-form" sample survey that is the source of 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: Effective Date: The FMRs published in this notice are effective on October 1, 2007.

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. An asterisk before the FMR area name identifies a 50th percentile area. 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>.

Any 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 for further methodological explanations, please contact 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. Questions about disaster-related FMR exceptions should be referred to the respective local HUD office. 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 are also available electronically from the U.S. Government Printing Office Web site, <http://www.gpoaccess.gov/fr/index.html>. Complete documentation of the methodology and data used to compute each area's final 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.

The Department's regulations at 24 CFR part 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 became eligible for 50th percentile rents. Final FY2008 FMRs are published on or before October 1, 2007, as required by section 8(c)(1) of the USHA.

III. Proposed FY2008 FMRs

On July 12, 2007, at 72 FR 38398, HUD published proposed FY2008 FMRs. As noted in the preamble to the proposed FMRs, the FMRs for FY2008 reflect the use of the 2005 ACS data for metropolitan areas. For all areas, the update of the FMRs from the 2000 Census base rent to 2005 has largely been replaced by using ACS update

factors. There are some areas where RDDs conducted between 2001 and 2005 are still being used, and some areas where the 2005 ACS data provides a new benchmark rent. In addition, the FY2008 FMRs include all changes made to metropolitan area definitions made by the Office of Management and Budget (OMB), as of December 2006.

During the comment period, which ended August 13, 2007, HUD received 30 public comments on the proposed FY2008 FMRs. Most of the comments received lacked the data needed to support FMR changes. The comments received are discussed in more detail later in this notice.

IV. 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 have been incorporated. This means 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. These definitions have the advantages that they are based on more current (2000 Census) data, use a more 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 that 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 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 sufficiently large 2000 Census counts of recent-mover renter households in standard-quality units, were identified, and 2000 Census Base Rents and 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

FY 2008 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 differences 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 FY 2008 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 median rent to the 2000 Census two-bedroom, standard-quality median 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 median rent to the 2000 Census two-bedroom, standard-quality median rent for the CBSA containing the FMR Area, or (2) the ratio of the 2005 ACS two-bedroom, standard-quality median rent to the 2000 Census two-bedroom, standard-quality median 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 median rent to the 2000 Census two-bedroom, standard-quality median 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 median rents in the parts of the state not in ACS-1 or ACS-2 areas, HUD uses, as the update factor, the ratio of the 2005 ACS two-bedroom,

standard-quality median rent to the 2000 Census two-bedroom, standard-quality median rent for the entire state containing the FMR area¹.

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 median rent is greater than the local standard-quality median 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.

¹ For Final FY 2008 FMRs, HUD made one further adjustment to this update factor calculation. For sub-areas and MSAs that cross state lines (multi-state FMR areas), the population-weighted average factor is either the sub-area population-weighted average factor or the CBSA-wide population-weighted average factor, whichever brings the sub-area FMR closer to the CBSA FMR. This adjustment produces an increase in rents for Franklin County, AR; Gibson County, IN; Stewart County, TN; and Martinsburg, WV.

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 in 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 3 percent is applied for 1.25 years (from December 2006 through April 2008).

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 and New Orleans, which were 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 Katrina, in particular 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, since 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://www.huduser.org/datasets/fmrs/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 samples for recent-mover rents, 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.

V. Public Comments

A total of 30 public comments were received on the proposed FY2008 FMRs. The local Public Housing Agency (PHAs) for the Seattle-Bellevue, WA, FMR area conducted a survey that HUD found acceptable. The PHAs' survey, however, resulted in only a small increase over the FY2008 proposed FMRs. A manufactured housing survey, also conducted for the Seattle-Bellevue area and found acceptable, is discussed in the following section.

Comments with data were submitted concerning Santa Rosa, CA; Casper, WY; Grand Junction, CO; the Counties of Moffat and Rio Blanco in Colorado; Rock Springs, WY; and Martinsburg, WV. None of the data were sufficient to determine new FMRs. Three towns in Southern Connecticut also submitted data; however, data for those towns were found to be unacceptable. For data to be acceptable, there must be 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. The data must be statistically significant, and newspaper ads are specifically excluded. The qualifications on the acceptance of data and

conducting statistically significant surveys were discussed in the preamble to the proposed FMRs and should be followed when providing comments.

The National Association of Home Builders (NAHB) commended HUD for the use of FMR bonuses to help New Orleans and Baton Rouge continue its recovery from Hurricane Katrina. The NAHB also requested that HUD undertake RDD surveys for all areas with more than a 5 percent decrease in the FMR, a solution that HUD does not consider practical. HUD does not have the funds to survey all of these areas, and only two of the nine areas with decreases of more than 5 percent provided comments concerning their lower FMRs. There were several comments filed by Pittsburgh, PA, housing organizations, with some requesting a survey, but the FY2008 FMRs for Pittsburgh are based on the 2005 ACS local data for this area. This data shows that FMRs for Pittsburgh were overestimated in the past, and therefore, they have been lowered based on the 2005 ACS data. Okanogan County, WA, is the only other area to request a review of its decrease in FMRs and asked HUD to accept a simple survey conducted of its area, similar to one conducted and accepted in 2005. In reviewing this survey and the one conducted in 2005, HUD discovered that it mistakenly did not apply the 2005 survey.³ The effect of applying the 2005 survey is shown in these final FMRs, and results in an increase for the two-bedroom FMR.

The NAHB disagreed with HUD's use of a substandard unit proxy set at the 75th percentile of public housing units, and instead recommended increasing this to the 95th percentile. It should be noted that HUD did not arbitrarily establish the cutoff at the 75th percentile of the regional public housing rent. It chose this level based on assisted housing data from the AHS. Instituting a 95th percentile of the regional public housing rent would be arbitrary, unlike the current standard.

Burlington County, NJ, while noting that it has historically been part of the Philadelphia-Camden-Wilmington, PA-NJ-DE, MSA, requested a change in its geographic definition to make it part of markets to the north in New Jersey. It claimed that its rents are higher than those in the Philadelphia metropolitan area. HUD would not be able to make

³ During the process of reviewing the 2005 Okanogan County, WA, survey, HUD found two additional private surveys that had not been applied: Those for Kanabec County, MN, and Mille Lacs County, MN. Their surveys have now been applied and the final FY2008 FMRs reflect these increases.

this change in geographic definition. This is because HUD's FMR areas must follow the metropolitan area definitions as determined by OMB, which are based on commuting patterns. If there is such a rent disparity between Burlington County, NJ, and the rest of the Philadelphia metropolitan area, Burlington County, NJ, may qualify for an exception rent of up to 120 percent of the FMR or more. Procedures for requesting exception rents are outlined at <http://www.hud.gov/offices/pih/publications/notices/02/pih2002-20.pdf> and in the regulations at 24 CFR 982.503(c). HUD field offices have the authority to increase payment standards up to 120 percent above published FMR levels, and should be contacted to pursue this approach. Requests for exceptions above 120 percent of published FMRs have additional requirements specified in the referenced HUD notice and regulations.

The Mansfield Housing Authority, representing three towns in southern Connecticut that are part of the Hartford-West Hartford-East Hartford, CT, MSA, also requested higher FMRs, but may also qualify for exception rents. The information on rents provided by the PHA could not be used as a basis for higher FMRs because such data must be representative of the entire metropolitan area. Also, because a valid survey was not conducted, the information on rents also could not be used to determine an exception rent for the three towns. Nevertheless, these three areas could look into using the 2000 Census median rents if they qualify for exception rents over 110 percent of the FMR.

The Housing Authority of the City of Alameda, CA, appears to also have a concern about its geographic definition. Alameda asserts that the change in the geographic definition in FY2006 has resulted in a dilution of the FMR below what it would have been without the inclusion of former nonmetropolitan counties. This is not correct; the Oakland-Fremont HMFA is comprised of the same two counties that were included in FY2005. Alameda City may consider the use of an exception payment standard to receive higher rents.

Several comments were filed in support of higher FMRs for Transylvania County, NC. This nonmetropolitan county borders the metropolitan area of Asheville, NC, and even neighboring nonmetropolitan counties have higher rents. A survey was conducted of this area and supported an increase in the FMR. Another area requesting an FMR review and where HUD implemented an RDD survey was Kershaw County, SC, a

county that has been separated from the metropolitan area, Columbia, SC, and the disparity in the FMR has been significant. The survey, halted for cost considerations, was not showing an increase in the FMR. Baker County, FL, has a situation that is similar to Kershaw County, SC: It is also a metropolitan county given its own rent because of the disparity with the rent for its metropolitan area, Jacksonville, FL. In this case, however, the rent and income disparity is significantly greater than for Kershaw County. To increase its rents, Baker County, FL, may be able to use the success rate payment standard, where the FMR is set between 90 percent and 110 percent of the 50th percentile rent (see 24 CFR 982.503(e)).

Genesee County, MI (Flint, MI, MSA), also sounds like a candidate for the success rate standard payment program. The Michigan State Housing Development Authority noted that the approximately 3 percent decrease in the FMRs for Genesee County, MI (Flint, MI, MSA), would create many programmatic problems, including an increase in rent burden for the tenants, a decrease in landlord participation, reduction in deconcentration, difficulty in serving the elderly and disabled, and lower voucher leasing rates. A survey of rents is not requested by Genesee County, MI, and would not likely improve the FMR.

The Oklahoma City Housing Authority brought up the issue of conducting ongoing and periodic RDD surveys for all FMR areas. In the past, HUD attempted to conduct surveys of all major metropolitan areas every 4 to 5 years. This is no longer possible, because RDD surveys have become more expensive as funding for these surveys has decreased and the ACS has eliminated the need to survey most large metropolitan areas. The PHA for Oklahoma City also requested a longer comment period.

Casper, WY, and Rock Springs, WY, have filed comments for the past 2 years suggesting that their FMRs are too low. Casper has been using the success rate payment standard program to increase its rents, and, even with the 10 percent increase in the FY2008 FMRs, does not believe the FMRs will be high enough to manage its program effectively. HUD is conducting field work to determine if an RDD is warranted. Rock Springs faces a tightening rental market as a result of the extensive natural gas development activity in the area, and claims the FMRs are too low. HUD will also consider a survey of this area, perhaps combined with other contiguous counties that may also be affected. ACS data on small areas will not be available for at least a year, and then it will be

an aggregation of data from 2005 to 2007. Other areas in the Rocky Mountain region that commented on tightening rental markets include Grand Junction, Montrose County, Moffat County, and Rio Blanco County, all in Colorado. These areas will also be reviewed to determine if rents have increased and if they can be measured by an RDD survey. HUD carefully considers conducting surveys in tight markets, because historically there is a time lag between rental rate increases and an RDD survey's ability to effectively capture the changes. While most comments were concerned with the low FMRs, two comments, filed by the City and County of Honolulu, HI, and the Housing Authority of Owensboro, KY, requested significant reductions in their FY2008 FMRs. Honolulu stated that the increase in its FMR of 27 percent does not reflect the rental market for 2008, and requested an early review of its 50th percentile status, and requested that HUD conduct an RDD survey. Because Honolulu qualifies for a 50th percentile FMR, HUD cannot evaluate its progress for the 3-year period, as set forth in the regulations (see 24 CFR 888.113(c) (2)). An RDD survey will not be conducted. The FY2008 FMR is based on its own local recent-mover rents from the 2005 ACS survey, and this annual survey data will be available each year. To help manage its program, Honolulu may apply for an exception rent that is more than 90 percent below the FMR.

Owensboro, KY, notes that the higher FMRs are not needed. It has short waiting lists for the voucher program, its tenants are not paying more than 30 percent of the median, and there is no shortage of affordable units. Unlike Honolulu, the FY2008 FMR is not "rebenchmarking" to 2005 using its own rents from the ACS; Owensboro is updated to 2005 using state-level ACS data, so there is the possibility that its FMRs are too high and that it may benefit from a survey. The data provided by Owensboro was not statistically valid, but HUD will review the area to determine if an RDD survey is warranted. In the interim, Owensboro will have to seek relief by requesting exception rents below 90 percent of its FMR.

VI. 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. HUD modified manufactured home space FMRs for Seattle-Bellevue, WA, based on 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, so long as the respective FMR area's definition remained the same. If the result of this computation was higher than 40 percent of the rebenchmarking 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.

VII. HUD Rental Housing Survey Guides

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, and 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. Preferably, survey samples should 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 amended as follows:

Dated: September 24, 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 FY2008 FMRs reflect a change in metropolitan area definitions. HUD is using the metropolitan Core Based Statistical Areas (CBSA), 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—In keeping with OMB guidance, the estimation procedure for the FY2008 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 such 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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