

directed to use FMRs as calculated under Section 8 of the act. Currently the programs operating under Section 8 of the act are the Housing Choice Voucher, the Moderate Rehabilitation, and the project-based voucher programs. Additionally, based on Section 210 of Division L, Title II of the Consolidated Appropriations Act, 2014, Public Housing Authorities administering Public Housing must use these FMRs in calculating Flat Rents for public housing. Today's notice provides final FY 2015 FMRs for all areas that reflect the estimated 40th and 50th percentile rent levels trended to April 1, 2015. The FY 2015 FMRs are based on 5-year, 2008–2012 standard quality rents collected by the American Community Survey (ACS). These 5-year rents are updated by one-year recent-mover 2012 ACS rents. HUD uses the Consumer Price Index (CPI) rent and utility indexes to further update the data from 2012 to the end of 2013. HUD continues to use ACS data in different ways according to the statistical reliability of rent estimates for areas of different population sizes and counts of rental units.

The final FY 2015 FMRs in this notice have no methodology changes. HUD continues to use the Puerto Rico Community Survey (PRCS) data (the PRCS is a part of the ACS program) and the Consumer Price Index data calculated specifically for Puerto Rico, as it first did for the FY 2014 FMRs. HUD also continues to adjust the FMRs for Puerto Rico based on validated information related to utility rates, which have not shown up in the gross rent or CPI data. The trend factor, applied to all FMR areas, is the average annual change in national gross rents between 2007 and 2012.

The final FY 2015 FMR areas use the Office of Management and Budget (OMB) metropolitan area definitions as updated through December 1, 2009 and include HUD modifications that were first used in the determination of FY 2006 FMR areas. The February 28, 2013 update to the OMB metropolitan area definitions are not been incorporated in the FY 2015 FMRs process due to the timing of the release and the availability of ACS data. HUD will work toward incorporating these new area definitions into the Proposed FY 2016 FMRs. The Department hopes to provide more implementation details in an anticipated publication in January 2015.

The January 2015 notice will also discuss and solicit comments on several topics related to the calculation of FMRs, including the implementation of the February 28, 2013 OMB Metropolitan Area Definitions and

**DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

[Docket No. FR–5807–N–03]

**Final Fair Market Rents for the Housing
Choice Voucher Program and
Moderate Rehabilitation Single Room
Occupancy Program Fiscal Year 2015**

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

ACTION: Notice of Final Fiscal Year (FY) 2015 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. This notice publishes the final FY 2015 FMRs for programs operating under Section 8 of the United States Housing Act of 1937 (The Act) or

possible measures the Department is considering that would reduce the concentration of Section 8 voucher tenants. For example, HUD is evaluating alternatives to the current 50th percentile FMR program whose purpose was to mitigate excessive geographic concentration of voucher tenants. HUD will solicit comments to determine interest in a program that is based on different measures for determining how many and which areas would receive special FMRs to encourage deconcentration, as well as on alternative FMR-based tools for promoting deconcentration such as Small Area FMRs estimated at the ZIP code level.

The final FY 2015 notice updates the FMRs for Bennington, Windham, and Windsor counties in Vermont to incorporate the results of surveys received after publication of the proposed FY 2015 FMRs. These surveys result in increases for all three nonmetropolitan counties.

DATES: Effective Date: The FMRs published in this notice are effective on October 1, 2014.

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 on the HUD USER Web site <http://www.huduser.org/portal/datasets/fmr.html>. FMRs are shown 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 FY 2015 FMR documentation system at <http://www.huduser.org/portal/datasets/fmr/fmrs/docsys.html&data=fmr15> and 50th percentile rents for all FMR areas will be published at <http://www.huduser.org/portal/datasets/50per.html> after publication of final FY 2015 FMRs.

Questions related to use of FMRs or voucher payment standards should be directed to the respective local HUD program staff. For flat rent questions, please contact Todd Thomas, Acting Director of the Public Housing Management and Occupancy Division of the Public Housing Office at 202-708-5849. Questions on how to conduct FMR surveys or concerning further methodological explanations may be addressed to Marie L. Lihn or Peter B. Kahn, Economic and Market Analysis Division, Office of Economic Affairs, Office of Policy Development and Research, telephone 202-402-2409. Persons with hearing or speech

impairments may access this number through TTY by calling the toll-free Federal Relay Service at 800-877-8339. (Other than the HUD USER information line and TDD numbers, telephone numbers are not toll-free.)

Electronic Data Availability: This **Federal Register** notice is available electronically from the HUD User page at <http://www.huduser.org/datasets/fmr.html>. **Federal Register** notices also are available electronically from <http://www.gpoaccess.gov/fr/index.html>, the U.S. Government Printing Office Web site. Complete documentation of the methodology and data used to compute each area's final FY 2015 FMRs is available at <http://www.huduser.org/portal/datasets/fmr/fmrs/docsys.html&data=fmr15>. Final FY 2015 FMRs are available in a variety of electronic formats at <http://www.huduser.org/portal/datasets/fmr.html>. FMRs may be accessed in PDF format as well as in Microsoft Excel. A new HUD User page has been developed for Small Area FMRs and those based on final FY 2015 Metropolitan Area Rents and historical versions of this data will be on this site, with a link from the FMR page of HUD User <http://www.huduser.org/portal/datasets/fmr.html>. Please note that these Small Area FMRs are for reference only, except where they are used by public housing authorities (PHAs) participating in the Small Area FMR demonstration. With approval from the Housing Voucher Management Division of the Office of Public and Indian Housing (PIH) these Small Area FMRs may be used in the process of determining exception payment standards.

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 geographic areas. In the HCV 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 (non-luxury) nature with suitable amenities. In addition, all rents subsidized under the HCV program must meet reasonable rent standards. HUD's regulations at 24 CFR 888.113

require it to establish 50th percentile FMRs for certain areas.

II. Procedures for the Development of FMRs

Section 8(c)(1) of the USHA requires the Secretary of HUD to publish FMRs periodically, but not less frequently than annually. Section 8(c)(1) 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 the market area suitable for occupancy by persons assisted under this section.

HUD'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.) For FY 2015 FMRs, HUD has considered all comments submitted in response to its August 15, 2014 (78 FR 47339) proposed FY 2015 FMRs but its responses are posted on its Web site because of the time required to publish this notice.

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. Minimally qualified areas¹ are reviewed each year unless not eligible to be reviewed. Areas that currently have 50th percentile FMRs are evaluated for progress in voucher tenant concentration after three years in the program. Continued eligibility is determined using HUD administrative data that show levels of voucher tenant concentration. The levels of voucher tenant concentration must be above 25 percent and show a decrease in concentration since the last evaluation. At least 85 percent of the voucher units in the area must be reported for a determination on the

¹ As defined in 24 CFR 888.113(c), a minimally qualified area is an area with at least 100 Census tracts where 70 percent or fewer of the Census tracts with at least 10 two-bedroom rental units are Census tracts in which at least 30 percent of the two bedroom rental units have gross rents at or below the two bedroom FMR set at the 40th percentile rent. This continues to be evaluated with 2000 Decennial Census information. Although the 5-year ACS tract level data is available, HUD plans to implement new 50th percentile areas in conjunction with the implementation of new OMB area definitions.

status of a 50th percentile area. Areas are not qualified for review if they are within the three-year period as a 50th-percentile area or have lost 50th-percentile status for failure to deconcentrate within the last three years.

In FY 2014 there were 19 areas using 50th-percentile FMRs. Of these 19 areas, 13 areas were eligible for evaluation.

Only four of the 13 areas will continue as 50th percentile FMR areas; those nine areas that do not continue as 50th percentile areas did not show measurable deconcentration and will not be evaluated for an additional three-year period, as required by the regulation. An additional six areas that failed to deconcentrate as of FY 2012

will once again become 50th percentile FMR areas.

In summary, there will be 16 50th-percentile FMR areas in FY 2015. In Schedule B, where all FMRs are listed by state and area, an asterisk designates the 50th percentile FMR areas. The following table lists the FMR areas along with the year of their next evaluation.

FY 2015 50TH-PERCENTILE FMR AREAS AND YEAR OF NEXT REEVALUATION

Albuquerque, NM MSA	2018	Baltimore-Towson, MD HUD Metro FMR Area	2016
Chicago-Joliet-Naperville, IL HUD Metro FMR Area	2018	Denver-Aurora-Broomfield, CO MSA	2018
Fort Lauderdale, FL HUD Metro FMR Area	2016	Hartford-West Hartford-East Hartford, CT HUD Metro FMR Area.	2018
Honolulu, HI MSA	2018	Kansas City, MO-KS HUD Metro FMR Area	2018
Milwaukee-Waukesha-West Allis, WI MSA	2018	New Haven-Meriden, CT HUD Metro FMR Area	2016
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA	2016	Richmond, VA HUD Metro FMR Area	2016
Riverside-San Bernardino-Ontario, CA MSA	2018	Tacoma, WA HUD Metro FMR Area	2018
Virginia Beach-Norfolk-Newport News, VA-NC MSA	2018	West Palm Beach-Boca Raton, FL HUD Metro FMR Area.	2016

III. Proposed FY 2015 FMRs

On August 15, 2014 (79 FR 48178), HUD published proposed FY 2015 FMRs with a comment period that ended September 15, 2014. HUD has considered all public comments received and HUD provides responses to these comments on the FMR Web site <http://www.huduser.org/portal/datasets/fmr.html>. HUD does not specifically identify each commenter, but all comments are available for review on the Federal Government's Web site for capturing comments on proposed regulations and related documents (Regulations.gov—<http://www.regulations.gov/#!docketDetail;D=HUD-2014-0065>).

IV. FMR Methodology

This section provides a brief overview of the calculation steps for the FY 2015 FMRs. For complete information on how FMR areas are determined by each specific FMR area, see the online documentation <http://www.huduser.org/portal/datasets/fmr/fmrs/docsys.html&data=fmr15>.

The FY 2015 FMRs use OMB metropolitan area definitions and standards that were first used in the FY 2006 FMRs. OMB changes to the metropolitan area definitions through December 2009 are incorporated. HUD has not incorporated the February 28, 2013 OMB metropolitan area definition changes because the Census Bureau did not incorporate these definitions into the 2012 ACS tabulations; therefore, the FY 2015 area definitions are the same as those used in FY 2014. HUD anticipates that the new OMB area definitions (based on the 2010 decennial Census) will replace those based on the 2000 Census (first incorporated into the FMRs

with the FY 2006 publication that replaced those based on the 1990 Census) with the FY 2016 proposed FMRs.

A. Base Year Rents

HUD used special tabulations of 5-year ACS data collected between 2008 through 2012. For FY 2015 FMRs, HUD updated the base rents set in FY 2014 using the 2007–2011 5-year data with the 2008–2012 5-year ACS data.²

HUD historically based FMRs on gross rents for recent movers (those who have moved into their current residence in the last 24 months). However, due to the nature of the 5-year ACS data, HUD developed a new methodology for calculating recent-mover FMRs in FY 2012. As in FY 2012, HUD assigns all areas a base rent which is the estimated two-bedroom standard quality 5-year gross rent from the ACS.³ Because HUD's regulations mandate that FMRs represent recent mover gross rents, HUD continues to apply a recent mover factor to the standard quality base rents assigned from the 5-year ACS data. Calculation of the recent mover factor is described below.

² The only difference in survey data between the 2007–2011 5-year ACS data and the 2008–2012 5-year ACS data is the replacement of 2007 survey responses with survey responses collected in 2012. The 2008, 2009 2010 and 2011 survey responses remain intact; however, the weighting placed on each survey response is updated by the Census Bureau during the process of aggregating the data to be as of the final year of the 5-year period.

³ For areas with a two-bedroom standard quality gross rent from the ACS that have a margin of error greater than the estimate or no estimate due to inadequate sample in the 2012 5-year ACS, HUD uses the two-bedroom state non-metro rent for non-metro areas.

B. Recent Mover Factor

Following the assignment of the standard quality two-bedroom rent described above, HUD applies a recent mover factor to these rents. The calculation of the recent mover factor for FY 2015 is similar to the methodology used in FY 2014, with the only difference being the use of updated ACS data. The following describes the process for determining the appropriate recent mover factor.

In general, HUD uses the 1 year ACS-based two-bedroom recent mover gross rent estimate from the smallest geographic area encompassing the FMR area for which the estimate is statistically reliable to calculate the recent mover factor.⁴ HUD calculates some areas' recent mover factors using data collected just for the FMR area. However, HUD bases other areas' recent mover factor on larger geographic areas if this is necessary to obtain statistically reliable estimates. For metropolitan areas that are sub-areas of larger metropolitan areas, the order is FMR area, metropolitan area, aggregated metropolitan parts of the state, and state. Metropolitan areas that are not divided into subparts follow a similar path from FMR area, to aggregated metropolitan parts of the state, to state. In nonmetropolitan areas the recent mover factor is based on the FMR area, aggregated nonmetropolitan parts of the state, or if that is not available, on the basis of the whole state. HUD calculates the recent mover factor as the percentage change between the 5-year

⁴ For the purpose of the recent mover factor calculation, a statistically reliable estimate occurs where the recent mover gross rent has a margin of error that is less than the estimate itself.

2008–2012 standard quality two-bedroom gross rent and the 1-year 2012 recent mover two-bedroom gross rent for the recent mover factor area. HUD does not allow recent mover factors to lower the standard quality base rent; therefore, if the 5-year standard quality rent is larger than the comparable 1-year recent mover rent, the recent mover factor is set to 1. The process for calculating each area’s recent mover factor is detailed in the FY 2015 Final FMR documentation system available at: <http://www.huduser.org/portal/datasets/fmr/fmrs/docsys.html&data=fmr15>. Applying the recent mover factor to the standard quality base rent produces an “as of” 2012 recent mover two-bedroom base gross rent for the FMR area.⁵

C. Other Rent Survey Data

HUD does not use the ACS as the base rent or recent mover factor for 16 areas where the FY 2015 FMR was adjusted based on survey data collected in late 2012, 2013, or 2014. PHAs conducted surveys for the following areas: Bennington County, VT, Hood River County, OR, Oakland, CA, Santa Barbara, CA, Stamford, CT, Windham County, VT, and Windsor County, VT, while HUD conducted surveys for Burlington, VT, Cheyenne, WY, Danbury, CT, Flagstaff, AZ, Mountrail

County, ND, Odessa, TX, Rochester, MN, Ward County, ND, and Williams County, ND. HUD has no funds to conduct surveys of FMR areas, and so all future surveys must be paid for by the PHAs.

D. Updates From 2012 to 2013

HUD updates the ACS-based “as of” 2012 rent through the end of 2013 using the annual change in CPI from 2012 to 2013. As in previous years, HUD uses Local CPI data coupled with Consumer Expenditure Survey (CEX) data for FMR areas with at least 75 percent of their population within Class A metropolitan areas covered by local CPI data. HUD uses Census region CPI data for FMR areas in Class B and C size metropolitan areas and nonmetropolitan areas without local CPI update factors. Additionally, HUD is using CPI data collected locally in Puerto Rico as the basis for CPI adjustments from 2012 to 2013 for all Puerto Rico FMR areas. Following the application of the appropriate CPI update factor, HUD converts the “as of” 2013 CPI adjusted rents to “as of” December 2013 rents by multiplying each rent by the national December 2013 CPI divided by the national annual 2013 CPI value.

E. Trend From 2013 to 2015

As in FY 2014, HUD continues to calculate the trend factor as the annualized change in median gross rents as measured across the most recent 5 years of available 1-year ACS data. The national median gross rent in 2007 was \$789 and \$884 in 2012. The overall change between 2007 and 2012 is 12.04 percent and the annualized change is 2.30 percent. Over a 15-month time period, the effective trend factor is 2.883 percent. HUD applies this trend factor to the “as of” December 2013 rents to produce FMRs that correspond to the middle of the 2015 fiscal year.

F. Puerto Rico Utility Adjustments

The gross rent data from the 2008 to 2012 Puerto Rico Community Survey (PRCS) does not include the utility rate increases from Commonwealth-owned utility companies from last year that were submitted as part of the comments from Puerto Rico housing agencies. HUD included additional utility values in the final FY 2014 FMRs to account for these changes in Puerto Rico and these utility adjustments are continued for all areas of Puerto Rico in the FY 2015 FMRs.

The table below shows the fixed amounts that are added to the Puerto Rico FMRs by bedroom count.

	0—Bedroom	1—Bedroom	2—Bedroom	3—Bedroom	4—Bedroom
Utility Adjustment	\$20	\$25	\$35	\$40	\$50

G. Bedroom Rent Adjustments

HUD calculates the primary FMR estimates for two-bedroom units. This is generally the most common sized rental unit and, therefore, the most reliable to survey and analyze. Formerly, after each decennial Census, HUD calculated rent relationships between two-bedroom units and other unit sizes and used them to set FMRs for other units. HUD did this because it is much easier to update two-bedroom estimates annually and to use pre-established cost relationships with other unit bedroom counts than it is to develop independent FMR estimates for each unit bedroom count. When calculating FY 2013 FMRs, HUD updated the bedroom ratio adjustment factors using 2006–2010 5-year ACS data using similar methodology to what was implemented when calculating bedroom ratios using 2000 Census data to establish rent

ratios. The bedroom ratios used in the calculation of FY 2015 FMRs remain the 2006–2010 based ratios applied to the two-bedroom FMR computed from the 2012 ACS data.

HUD established bedroom interval ranges based on an analysis of the range of such intervals for all areas with large enough samples to permit accurate bedroom ratio determinations. These ranges are: Efficiency (zero-bedroom) FMRs are constrained to fall between 0.59 and 0.81 of the two-bedroom FMR; one-bedroom FMRs must be between 0.74 and 0.84 of the two-bedroom FMR; three-bedroom FMRs must be between 1.15 and 1.36 of the two-bedroom FMR; and four-bedroom FMRs must be between 1.24 and 1.64 of the two-bedroom FMR. (The maximums for the three-bedroom and four-bedroom FMRs are irrespective of the adjustments discussed in the next paragraph.) HUD

adjusts bedroom rents for a given FMR area if the differentials between unit bedroom-count FMRs were inconsistent with normally observed patterns (i.e., efficiency rents are not allowed to be higher than one-bedroom rents and four-bedroom rents are not allowed to be lower than three-bedroom rents). The bedroom ratios for Puerto Rico follow these constraints.

HUD further adjusts the rents for three-bedroom and larger units to reflect HUD’s policy to set higher rents for these units than would result from using unadjusted 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 8.7 percent to the unadjusted three-bedroom FMR estimates and adds 7.7 percent to the unadjusted four-bedroom

⁵ The Bureau of the Census does not collect the ACS data in the Pacific Islands (Guam, Northern Marianas and American Samoa) or the US Virgin Islands. As part of the 2010 Decennial Census, the

Census Bureau conducted a “long-form” sample surveys for these areas. These data were not released in time to be included in FY 2015 FMRs. Therefore, HUD uses the national change in gross

rents, measured between 2011 and 2012 to update last year’s FMRs for these areas.

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 efficiency FMR.

For low-population, nonmetropolitan counties with small or statistically insignificant 2006–2010 5-year ACS recent-mover rents, HUD uses state non-metropolitan data to determine bedroom ratios for each unit bedroom count. HUD made this adjustment to protect against unrealistically high or low FMRs due to insufficient sample sizes.

V. Manufactured Home Space Surveys

The FMR used to establish payment standard amounts for the rental of manufactured home spaces (pad rentals including utilities) in the HCV 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 based on survey data that were in effect in FY 2014 were updated to FY 2015 using the same data used to estimate the HCV program FMRs. If the result of this computation was higher than 40 percent of the new 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. No additional exception requests were received in the comments to the FY 2015 Proposed FMRs.

VI. Small Area Fair Market Rents

Small Area Fair Market Rents (SAFMRs) are used as part of a court settlement by all public housing authorities (PHAs) in the Dallas, TX HMFA. They are also used as part of HUD's demonstration program for five PHAs the Housing Authority of the County of Cook (IL), the City of Long Beach (CA) Housing Authority, the Chattanooga (TN) Housing Authority, the Town of Mamaroneck (NY) Housing Authority, and the Laredo (TX) Housing Authority. These FMRs are listed in the Schedule B addendum.

SAFMRs are calculated using a rent ratio determined by dividing the median gross rent across all bedrooms for the

small area (a ZIP code) by the similar median gross rent for the metropolitan area of the ZIP code. This rent ratio is multiplied by the current two-bedroom rent for the entire metropolitan area containing the small area to generate the current year two-bedroom rent for the small area. In small areas where the median gross rent is not statistically reliable, HUD substitutes the median gross rent for the county containing the ZIP code in the numerator of the rent ratio calculation. For FY 2015 SAFMRs, HUD continues to use the rent ratios developed in conjunction with the calculation of FY 2013 FMRs based on 2006–2010 5-year ACS data.⁶

VII. Public Comments Overview of Comments

A. Overview

A total of 64 comments were received and posted on the regulations.gov site (<http://www.regulations.gov/#!docketDetail;D=HUD-2014-0065>), which is also linked on the HUD User FMR page <http://www.huduser.org/portal/datasets/fmr.html>. Most comments contested FMR reductions compared with the FY 2014 FMRs and some contested reductions in FMRs over several years. None of these commenters provided a statistically valid survey of rents that could be used to adjust the FY 2015 FMR. While the timing between proposed and final was short, only one commenter announced its intention to conduct a rent survey, but did not file a formal comment. Several commenters who did not experience a reduction in FY 2015 FMRs complained about the small increase in light of rental market conditions for their area. And some nonmetropolitan areas were concerned with the large increases and decreases that the ACS data provides.

A significant proportion of the comments opposed the use of FMRs in the calculation of public housing flat rents. While FMRs are used in other HUD programs, the methodology used in determining FMRs and the publication of FMRs for comment is primarily in support of the Section 8 Housing Choice Voucher program. Other HUD programs must rely on the current FMR methodology. The adjustment of flat rents by FMRs is an issue for the program staff in the

⁶ HUD has provided numerous detailed accounts of the calculation methodology used for Small Area Fair Market Rents. Please see our **Federal Register** notice of April 20, 2011 (76 FR 22125) for more information regarding the calculation methodology. HUD's Final FY 2015 FMR documentation system available at (<http://www.huduser.org/portal/datasets/fmr/fmrs/docsys.html#data=fmr15>) contains detailed calculations for each ZIP code area in participating jurisdictions.

Division of Housing Management and Occupancy of PIH.

Decreases of any level in the FMR were opposed especially for certain HUD programs and other programs that use FMRs but do not allow flexibility in applying FMRs, such as the Continuum of Care program and the Low-Income Housing Tax Credit program (LIHTC). Several comments requested that HUD hold the FY 2015 FMRs harmless, that is they wanted the FMR to remain at the FY 2014 level, or some earlier level if it would otherwise be lower. In addition to, or instead of, implementing a hold harmless policy, several comments asked HUD to limit annual increases and decreases of FMRs to five percent, or at the very least impose a hard floor of five percent on decreases. This inability to hold FMRs harmless at some previously higher level is especially difficult for LIHTC landlords and developers to understand because no such legal prohibition exists for the calculation of HUD's income limits which are also used in the rent calculation for these units. HUD has been able to use such measures in constraining income limit increases and decreases, but HUD is specifically precluded from incorporating these changes into the FMR methodology by the statutory language governing FMRs requiring the use of the most recent available data. As stated in previous FMR notices, HUD's Housing Choice Voucher program counsel reviewed the statutory language governing the calculation of FMRs to determine if the Department has the authority to institute caps and floors on the amount the FMRs could change annually. Based on this review, HUD's program counsel issued a legal opinion that HUD CANNOT impose floors or caps in changes in FMRs because this would violate the portion of the statute that directs HUD to use the most current data available. The legal opinion is that the statute needs to be changed in order for HUD to implement these types of caps and floors. No statutory changes regarding the use of the most recent available data have since been enacted; consequently, HUD does not have the authority to use a hold harmless policy or other policy which would permit HUD to impose caps and floors on FMR changes. HUD is required to use the most recent available data and FMRs must increase or decrease based on this data. Ignoring decreases or phasing decreases or increases in over several years would not fully implement FMRs based on the most recent available data. Comments were received that oppose the current methodology used to define FMR areas. HUD has not incorporated

the new metropolitan area definitions released by OMB on February 28, 2013 for the FY 2015 FMRs, but will begin to review how to incorporate these new area definitions.

Several PHAs with lower proposed FY 2015 FMRs relative to FY 2014 or earlier FMRs requested that HUD conduct a survey of rents for their FMR areas. As stated in the proposed FY 2015 FMR Notice, HUD anticipates it will have no funds to conduct surveys in FY 2015. While one area provided data, this data could not be accepted as the basis for changing FMRs because it did not meet the threshold for representativeness and/or statistical reliability established for rental survey data to be used in FMR determinations. HUD may not use data from newspaper ads because these do not represent actual contracted rents, or rent reasonableness studies as these typically do not sample units randomly. Other data provided may be acceptable, but the sources and method of collection must be identified. Data must be collected randomly and cover the entire rental stock including single-family units, not just large apartment projects. Single family units and smaller apartment buildings are an important part of the rental market and cannot be ignored. HUD did receive notification that one PHA in a nonmetropolitan area is conducting its own survey and has sought guidance from HUD on the survey methodology. Any other PHAs interested in surveys to support changes in FMRs should review section VIII of this notice for further information regarding acceptable survey methodology.

For areas that are considering conducting their own surveys, HUD would caution them to explore all no-cost options as a means of alleviating problems they are having with low FMRs. HUD has experience conducting surveys in areas with low or no vacancy rates and this experience has shown that it is extremely difficult to capture accurate gross rent levels in tight markets. For that reason, HUD provides emergency exception payment standards up to 135 percent of the FMR for the Section 8 voucher program in areas impacted by natural resource exploration or in presidentially declared disaster areas. PHAs interested in applying for these emergency payment standards should contact their local HUD field office. Other programs that use FMRs will have to pursue similar strategies such as exception payment standards or hold harmless provisions within the statutory and regulatory framework governing those programs.

B. Issues Raised in Comments and HUD Responses

In accordance with 24 CFR 888.115, HUD has reviewed the public comments that have been submitted by the due date and has determined that there are no comments with “statistically valid rental survey data that justify the requested changes.” HUD’s responses to all known comments received by the comment due date and a part of the notice record <http://www.regulations.gov/#!docketDetail;D=HUD-2014-0065> are located at <http://www.huduser.org/portal/datasets/fmr.html>.

VIII. Rental Housing Surveys

In 2011, HUD solicited bidders to study the methodology used to conduct local area surveys of gross rents to determine if the Random Digit Dialing (RDD) methodology could be improved upon. The Department undertook this study due to the increasing costs and declining response rates associated with telephone surveys. Furthermore, the advent of the 1-year ACS limits the need for surveys in large metropolitan areas. Based on this research, the Department decided that its survey methodology should be changed with mail surveys being the preferred method for conducting surveys, because of the lower cost and greater likelihood of survey responses. These surveys, however, take almost twice as long to conduct as prior survey methods took, and when response times are most critical, the Department may choose to conduct random digit dialing surveys as well, as the budget permits. Unfortunately, the anticipated budget does not permit HUD to conduct any surveys in FY 2015. The methodology for both types of surveys along with the survey instruments is posted on the HUD USER Web site, at the bottom of the FMR page in a section labeled Fair Market Rent Surveys at: <http://www.huduser.org/portal/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 of structure type (including single-family, duplex, and other small rental properties), age of housing unit, and geographic location.

The 2008–2012 5-year ACS data should be used as a means of verifying if a sample is representative of the FMR area’s rental housing stock.

Most surveys cover only one- and two-bedroom units, which has statistical advantages because these are generally the most abundant rental units in an area. However in nonmetropolitan areas and some metropolitan areas, three-bedroom units are also surveyed because there are significant rental units at this size in the FMR area. If the survey is statistically acceptable, HUD will estimate FMRs for other bedroom sizes using ratios based on the 2006–2010 5-year ACS data. 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.

As stated earlier in this Notice, HUD is required to use the most recent data available when calculating FMRs. Therefore, in order to re-evaluate an area’s FMR, HUD requires more current rental market data than the 2012 ACS.

VIII. Environmental Impact

This Notice involves the establishment of fair market rent schedules, which do not constitute a development decision affecting the physical condition of specific project areas or building sites. Accordingly, under 24 CFR 50.19(c)(6), this Notice is categorically excluded from environmental review under the National Environmental Policy Act of 1969 (42 U.S.C. 4321).

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: September 29, 2014.

Katherine M. O'Regan,

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*—Most 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. HUD is using the metropolitan CBSAs, which are made up of one or more counties, as defined by the Office of Management and Budget (OMB), with some modifications. HUD is generally assigning separate FMRs to the component counties of CBSA Micropolitan Areas.

b. *Modifications to OMB Definitions*—Following OMB guidance, the estimation procedure for the FY 2015 Final FMRs incorporates the OMB definitions of metropolitan areas based on the CBSA standards as implemented with 2000 Census data updated through December 1, 2009, 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 subareas are established, it is HUD's view for programmatic purposes 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 MSAs) may be modified to allow for subarea 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 FY 2005 FMRs. Collectively they include 1999-definition MSAs/Primary Metropolitan Statistical Areas (PMSAs), metro 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.) Subareas of MSAs are assigned their own FMRs when the subarea 2000 Census Base Rent differs by at least 5 percent from (i.e., is at most 95 percent or at least 105 percent of) the MSA 2000 Census Base Rent, or when the 2000 Census Median Family Income for the subarea differs by at least 5 percent from the MSA 2000 Census Median Family Income. MSA subareas, and the remaining portions of MSAs after subareas 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 Schedule B addendum shows Small Area FMRs for all PHAs operating using Small Area FMRs. 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 FMRs for manufactured home spaces in Schedule D are listed alphabetically by state.

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 non-metropolitan county listings.

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

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