

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-]

**Proposed Fair Market Rents for the Housing Choice Voucher Program,
Moderate Rehabilitation Single Room Occupancy Program and Other Programs
Fiscal Year 2016**

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

ACTION: Notice of Proposed Fiscal Year (FY) 2016 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. The primary uses of FMRs are to determine payment standards for the Housing Choice Voucher (HCV) program, to determine initial renewal rents for some expiring project-based Section 8 contracts, to determine initial rents for housing assistance payment contracts in the Moderate Rehabilitation Single Room Occupancy program, and to serve as rent ceilings for rental assistance units in the HOME Investment Partnerships program. FMRs are used in the calculation of maximum award amounts for Continuum of Care grantees and are also used in the calculation of flat rents in Public Housing units. Today's notice provides proposed FY 2016 FMRs for all areas that reflect the estimated 40th and 50th percentile rent levels trended to April 1, 2016. The FY 2016 FMRs are based on "5-year" data collected by the American Community Survey (ACS) from 2009 through 2013. These data are updated by one-year 2013 ACS data for areas where statistically valid one-year ACS data is available. HUD continues to use ACS data in different ways according to the statistical reliability of rent estimates. The Consumer Price Index (CPI) rent and utility indexes are used to further update the data to 2014. These values are then trended forward to FY 2016 using the annualized change in median gross

rents as measured across the most recent 5 years of available 1 year ACS data. While HUD will continue to use this trend factor for the calculation of FY 2016 FMRs, the Department is considering replacing it with a forward-looking forecast for the FY 2017 FMRs. For example, HUD is evaluating the use of a model that would forecast national rent and utility CPI indices based on economic assumptions used in the formulation of the President's Budget. HUD seeks public comments on this or alternative methodologies, as well as other data sources, for trending rent levels forward.

The proposed FY 2016 FMRs in this notice incorporate a change in the level of statistical reliability that is allowed for an ACS estimate to be used in the calculation of FMRs. Previously, if the error of the estimate was less than the estimate itself, HUD used the estimate. The Proposed FMRs in this notice use ACS estimates where the size of the error is limited to half of the estimate.

An additional change to the proposed FY 2016 FMRs is the incorporation of the February 28, 2013, Office of Management and Budget (OMB) metropolitan area definition update based on the 2010 Decennial Census data. The 2013 ACS data are the first to use the new area definitions in the compilation of the ACS data.

In a June 2, 2015 advanced notice of proposed rulemaking, HUD solicited comments on several topics related to the calculation of FMRs, including 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, which was implemented to mitigate excessive geographic concentration of voucher tenants. Comments were requested 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 Department appreciates the comments provided and is currently analyzing this input to inform the next steps in the rulemaking process. For the FY 2016 FMRs, however, the current 50th percentile FMR program is still in place with no change to existing regulations.

DATES: Comment Due Date: **[Insert date 30 days after date of publication in the FEDERAL REGISTER].**

ADDRESSES: Interested persons are invited to submit comments regarding the proposed FMRs to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 Seventh Street, SW, Room 10276, Washington, DC 20410-0001. Communications must refer to the above docket number and title and should contain the information specified in the “Request for Comments” section. There are two methods for submitting public comments.

1. Submission of Comments by Mail. Comments may be submitted by mail to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street, SW, Room 10276, Washington, DC 20410-0500. Due to security measures at all federal agencies, however, submission of comments by mail often results in delayed delivery. To ensure timely receipt of comments, HUD recommends that comments submitted by mail be submitted at least two weeks in advance of the public comment deadline.

2. Electronic Submission of Comments. Interested persons may submit comments electronically through the Federal eRulemaking Portal at <http://www.regulations.gov>. HUD strongly encourages commenters to submit comments electronically. Electronic submission of comments allows the commenter maximum time to prepare and submit a comment, ensures

timely receipt by HUD, and enables HUD to make them immediately available to the public. Comments submitted electronically through the <http://www.regulations.gov> website can be viewed by other commenters and interested members of the public. Commenters should follow instructions provided on that site to submit comments electronically.

Note: To receive consideration as public comments, comments must be submitted through one of the two methods specified above. Again, all submissions must refer to the docket number and title of the notice.

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

Public Inspection of Public Comments. All properly submitted comments and communications regarding this notice submitted to HUD will be available 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). Individuals with speech or hearing impairments may access this number through TTY by calling the Federal Relay Service at 800-877-8339. 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 on the HUD USER website <http://www.huduser.org/portal/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 FY 2016 FMR documentation system at <http://www.huduser.org/portal/datasets/fmr/fmrs/docsys.html&data=fmr16> 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 2016 FMRs.

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 may be addressed to Marie L. Lihn or Peter B. Kahn of the Economic and Market Analysis Division, Office of Economic Affairs, Office of Policy Development and Research at HUD headquarters [451 7th Street, SW, Room 8208, Washington, DC 20410]; telephone number 202-402-2409 (this is not a toll-free number), or they may be reached at emad-hq@hud.gov. Persons with hearing or speech impairments may access HUD numbers through TTY by calling the toll-free Federal Relay Service at 800-877-8339.

Electronic Data Availability. This Federal Register notice will be available electronically from the HUD User page at <http://www.huduser.org/datasets/fmr.html>. Federal Register notices also are available electronically from <https://www.federalregister.gov/>, the U.S. Government Printing Office website. Complete documentation of the methodology and data used to compute each area's proposed FY 2016 FMRs is available at <http://www.huduser.org/portal/datasets/fmr/fmrs/docsys.html&data=fmr16>. Proposed FY 2016 FMRs are available in a variety of electronic formats at <http://www.huduser.org/datasets/fmr.html>. FMRs may be accessed in PDF format as well as in Microsoft Excel. Small Area FMRs based on proposed FY 2016 Metropolitan Area Rents are available in Microsoft Excel format at the same web address. Please note that these Small Area FMRs are only applicable to the public housing agencies (PHAs) participating in the Small Area FMR demonstration. Small Area FMRs for non-demonstration areas are available at: <http://www.huduser.org/portal/datasets/fmr/smallarea/index.html>.

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 is typically set at the 40th percentile of the distribution of gross rents. In addition, all rents subsidized under the HCV program must meet reasonable rent standards. HUD’s regulations at 24 CFR 888.113 permit the Department 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:

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.)

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 qualified to be reviewed. Areas are not qualified to be reviewed if they have been made a 50th-percentile area within the last three years or have lost 50th-percentile status for failure to deconcentrate within the last three years.

In FY 2015 there were 16 areas using 50th-percentile FMRs. Of these 16 areas, 6 areas completed three years of program participation and were evaluated. Only two of the 6 areas will continue as 50th-percentile FMR areas; three of the remaining four areas do not show measurable deconcentration over the three-year period, will not continue as 50th-percentile FMR areas, and will not be evaluated for three years. One area that was evaluated, the New Haven-Meriden, CT HUD Metro FMR Area, graduated from the program and will be evaluated each year. Housing authorities operating in these areas are encouraged to review the rules at 24 CFR 982.503(f) to determine if they qualify for continued use of the 50th percentile rents when setting their payment standards. The table below lists the three areas that are not eligible for 50th percentile FMRs until 2019.

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. In light of HUD's June 6, 2015 Advanced Notice of Proposed Rulemaking, HUD has chosen not to update the area selection criteria with 2010 tract delineations in order to ease the anticipated future implementation of a Small Area FMR based deconcentration rule

FMR Areas That Failed to Deconcentrate And Year of Next Reevaluation			
Baltimore, MD MSA	2019	Fort Lauderdale, FL HUD Metro FMR Area	2019
Richmond, VA HUD Metro FMR Area	2019		

The Washington, DC-VA-MD HUD Metro FMR Area returns as a 50th percentile area after failing to deconcentrate in FY 2013. In summary, there will be 13 50th-percentile FMR areas in FY 2016. These areas are indicated by an asterisk in Schedule B, where all FMRs are listed by state. The following table lists the FMR areas along with the year of their next evaluation.

FY 2016 50th-Percentile FMR Areas And Year of Next Reevaluation			
Albuquerque, NM MSA	2018	Chicago-Joliet-Naperville, IL HUD Metro FMR Area	2018
Denver-Aurora-Broomfield, CO MSA	2018	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	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA	2019
Riverside-San Bernardino-Ontario, CA MSA	2018	Tacoma, WA HUD Metro FMR Area	2018
Virginia Beach-Norfolk-Newport News, VA-NC MSA	2018	Washington, DC-VA-MD HUD Metro FMR Area	2019
West Palm Beach-Boca Raton, FL HUD Metro FMR Area	2019		

III. FMR Methodology

This section provides a brief overview of how the FY 2016 FMRs are computed. For complete information on how FMR areas are determined, and on how each area's FMRs are

derived, see the online documentation at

<http://www.huduser.org/portal/datasets/fmr/fmrs/docsys.html&data=fmr16>.

The proposed FY 2016 FMRs are based on the updated metropolitan area definitions published by OMB on February 28, 2013. Counties that have been removed from metropolitan areas will be nonmetropolitan counties. Counties that have been added to metropolitan areas will be treated as metropolitan county subareas. They will receive rents based on their own data if the local data is statistically reliable (with an error that is less than one-half of the estimate) or receive the metropolitan rent if their subarea estimate does not exist or is statistically unreliable². New multi-county metropolitan areas will be treated as individual county metropolitan subareas using county based gross rent estimates (if statistically reliable); otherwise, a metropolitan, area-wide gross rent estimate is used.

A. Base Year Rents

The U.S. Census Bureau released standard tabulations of 5-year ACS data collected between 2009 through 2013 in December of 2014. For Proposed FY 2016 FMRs, HUD uses the 2009-2013 5-year ACS data to update the base rents. HUD has updated base rents each year based on new 5-year data since FY 2012, for which HUD used 2005-2009 ACS data. HUD is also updating base rents for Puerto Rico FMRs using the 2009-2013 Puerto Rico Community Survey (PRCS); HUD first updated the Puerto Rico base rents in FY 2014 based on 2007-2011 PRCS data collected through the ACS program.

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 way Census constructs

² The metropolitan subarea of Columbia, MD no longer exists. This subarea, developed in the 1970s was based on data collected in the field before the exception payment standard regulations were developed. This level of geography cannot be continued as it does not comport with any current subarea rules.

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 two-bedroom standard quality 5-year gross rent estimate from the ACS.³ Because HUD's regulations mandate that FMRs must be published as 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. The calculation of the recent mover factor is described below.

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 2016 is similar to the methodology HUD used in FY 2015, with the only difference being the use of updated ACS data and the change to the statistical reliability assessment of the 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 factors on larger geographic areas if this is necessary to obtain statistically reliable estimates. For metropolitan areas that are subareas 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 follow a similar path from FMR area, to aggregated metropolitan parts of the state, to state. In nonmetropolitan areas HUD bases the recent mover factor on the FMR

³ For areas with a two-bedroom standard quality gross rent from the ACS that have a margin of error greater than 50 percent of the estimate or no estimate due to inadequate sample in the 2009-2013 5-year ACS, HUD uses the two-bedroom state non-metro area rent.

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

area, the aggregated non-metropolitan 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 2009-2013 standard quality two-bedroom gross rent and the 1 year 2013 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 2016 Proposed FMR documentation system available at:

<http://www.huduser.org/portal/datasets/fmr/fmrs/docsys.html&data=fmr16>. Applying the recent mover factor to the standard quality base rent produces an “as of” 2013 recent mover two-bedroom base gross rent for the FMR area.

C. Other Rent Survey Data

A base rent has also been calculated for the insular areas using the 2010 decennial census of American Samoa, Guam, the Northern Mariana Islands, and the Virgin Islands. This is the first time American Samoa and the Northern Mariana Islands will have an FMR that is separate from Guam. In addition St. Johns, VI will receive a separate FMR; previously it was combined with St. Thomas. The 2010 rent data is updated to 2013 using the change in national ACS rents from 2010 to 2013.⁵

HUD does not use the ACS as the base rent or recent mover factor for eight areas where the FY 2016 FMR was adjusted based on survey data collected in 2012 for Hood River County, OR, Mountrail County, ND, Ward County, ND, and Williams County, ND and data collected

⁵ The ACS is not conducted 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 “long-form” sample surveys for these areas. The results gathered by this long form survey have been incorporated into the FY 2016 FMRs.

from PHAs in 2014 for Bennington County, VT, Windham County, VT, Windsor County, VT, and Seattle, WA. HUD has not allocated funds to conduct surveys of FMR areas, and so future surveys must be paid for by the PHAs.

D. Updates from 2013 to 2014 and Forecast to April 2016

HUD updates the ACS-based “as of” 2013 rent through the end of 2014 using the annual change in CPI from 2013 to 2014. 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 2013 to 2014 for all Puerto Rico FMR areas. Following the application of the appropriate CPI update factor, HUD trends the estimate from 2014 to the middle of FY 2016. As in FY 2015, 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 2008 was \$824 and \$905 in 2013. The overall change between 2008 and 2013 is 1.098 percent and the annualized change is 1.0189 percent. This annual trend factor is applied from the middle of 2014 (the mid-point of the annual 2014 CPI update) to the middle of FY 2016, or for a period of seven quarters. The trend factor for the seven quarter period is 1.0334 percent. **E. Puerto Rico Utility Adjustments**

The gross rent data from the 2009 to 2013 Puerto Rico Community Survey (PRCS) coupled with the CPI data measured across Puerto Rico includes the utility rate increases from Commonwealth-owned utility companies that gave each FMR area in Puerto Rico an adjustment in both FY 2014 and FY 2015. The FY 2016 FMRs no longer include the utility adjustment; any

changes in the Puerto Rico energy tariffs have been in effect long enough to be included in the Puerto Rico CPI.

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 bedroom counts and used them to set FMRs for other units. HUD did this because it is much easier to update two-bedroom estimates 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. The bedroom ratio methodology used in this update was the same methodology that was used when calculating bedroom ratios using 2000 Census data. The bedroom ratios HUD used in the calculation of FY 2016 FMRs have been updated using average data from three five-year data series (2007-2011, 2008-2012, and 2009-2013).

HUD establishes 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 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 bedroom-size 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. 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 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.

For low-population, nonmetropolitan counties with small or statistically insignificant data for any two of the three 5-year ACS standard quality rents series used in the average, 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.

IV. Manufactured Home Space Surveys

The FMR used to establish payment standard amounts for the rental of manufactured home spaces 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 that were in effect in FY 2015 were updated to FY 2016 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.

V. Small Area Fair Market Rents

Public housing authorities (PHA) in the Dallas, TX HUD Metro FMR Area (HMFA), along with 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 continue to be the only PHAs managing their voucher programs using Small Area Fair Market Rents (SAFMRs). 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. HUD has been criticized for continuing to use 2010 5-year ACS data as the basis for the Small Area FMR rent ratios, instead of updating these each year. HUD kept the rent ratios based on 2006-2010 5-year ACS data in order to provide stability in the Small Area FMRs and proposed only updating these ratios with the 2011-2015 ACS

5-year data, when all the underlying survey data would have been replaced. However, HUD's current experience with 5-year data for small areas reveals that this may create a greater disruption to Small Area FMRs than if HUD adjusted the ratios annually by applying a smoothing technique such as averaging of several years of 5-year ACS data. By implementing a rolling-average Small Area FMR rent ratio calculation, the Department believes more current data could be used without introducing excessive year-to-year variability in Small Area FMR rent ratios due to sampling variance. Therefore, for proposed FY 2016 SAFMRs, HUD has updated the rent ratios to use an average of the rent ratios calculated from the 2007-2011, 2008-2012, and 2009-2013 5-year ACS estimates.

VI. Request for Public Comments

HUD seeks public comments on the methodology used to calculate FY 2016 Proposed FMRs including Small Area FMRs, and the FMR levels for specific areas. Due to its current funding levels, HUD no longer has sufficient resources to conduct local surveys of rents to address comments filed regarding the FMR levels for specific areas. Commenters submitting comments on FMR levels must include sufficient information (including local data and a full description of the rental housing survey methodology used or a description of the methodology intended to be used to collect the necessary data) to justify any proposed changes. Questions on how to conduct FMR surveys may be addressed to Marie L. Lihn or Peter B. Kahn of the Economic and Market Analysis Division, Office of Economic Affairs, Office of Policy Development and Research at HUD headquarters [451 7th Street, SW, Room 8208, Washington, DC 20410]; telephone number 202-402-2409, or they may be reached at emad-hq@hud.gov.

For small metropolitan areas without one-year ACS data and nonmetropolitan counties, HUD has developed a methodology using mail surveys that is discussed on the bottom of the FMR web page: <http://www.huduser.org/portal/datasets/fmr.html>. This methodology allows for the collection of as few as 100 one-bedroom, two-bedroom and three-bedroom recent mover (tenants that moved in last 24 months) units.

While HUD has not developed a specific methodology for mail surveys in areas with 1-year ACS data, HUD would apply the standard established for Random-Digit Dialing (RDD) telephone rent surveys. The statistical difference of these survey results will be compared with the current FMR which means that the survey confidence interval must be outside the FMR. The survey should collect results based on 200 one-bedroom and two-bedroom eligible recent mover units to provide a small enough confidence interval for significant results in large market mail surveys. Areas with statistically reliable 1-year ACS data are not considered to be good candidates for local surveys due to the size and completeness of the ACS process.

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 of the entire FMR area. In general, recommendations for FMR changes and supporting data must reflect the rent levels that exist within the entire FMR area and should be statistically reliable.

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 may 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 statistically different from the combined rent level.

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 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.

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.

The Department has developed guidance on how to provide data-supported comments on Small Area FMRs using HUD's special tabulations of the distribution of gross rents by bedroom unit size for ZIP Code Tabulation Areas. This guidance is available at <http://www.huduser.org/portal/datasets/fmr.html> in the Proposed FY 2016 FMR section and should be used by interested parties in commenting on whether or not the level of Proposed Small Area FMRs are too high or too low (i.e. Proposed Small Area FMRs that are larger than the gross rent necessary to make 40 percent of the units accessible for an individual zip code or that are smaller than the gross rent necessary to make 40 percent of the units accessible for a given zip code).

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 2013 ACS. HUD encourages a PHA or other interested party that believes the FMR in their area is incorrect to file a comment even if they do not have the resources to provide market-wide rental data. In these instances, HUD will use the comments, should survey funding be restored, when determining the areas HUD will select for HUD-funded local area rent surveys.

VII. 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: _____

Katherine M. O'Regan, Ph.D.
Assistant Secretary for Policy Development
and Research

[FR-]

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 Core-Based Statistical Areas (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 2016 proposed FMRs incorporates the OMB definitions of metropolitan areas based on the CBSA standards as implemented with 2000 Census data and updated by the 2010 Census in February 23, 2013. The adjustments made to the 2000 definitions to separate subparts of these areas where FMRs or median incomes would otherwise change significantly are continued. To follow HUDs policy of providing FMRs at the smallest possible area of geography, no counties were added to existing metropolitan areas. All counties added to metropolitan areas will still be treated as separate counties. New multicounty metropolitan areas are not subdivided. All metropolitan areas that have at least one subarea will also receive a subarea, that is the rents from a county that is a subarea will not be used for the remaining metropolitan subarea rent determination.

The specific counties and New England towns and cities within each state in MSAs and HMFAs were not changed by the February 28, 2013 OMB metropolitan area definitions. These areas are listed in Schedule B.

2. Unit Bedroom Count 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 (please see section V of this notice for a list of participating PHAs). 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.