January 10, 2018

Regulations Division
Office of General Counsel
451 7th Street SW, Room 10276
Department of Housing and Urban Development
Washington, DC 20410-0500
Submitted electronically through www.regulations.gov

Re: Docket No. FR-6070-N-01: "Notice for Suspension of Small Area Fair Market Rent (Small Area FMR) Designations"

To Whom It May Concern:

The following comments are submitted by Jacksonville Area Legal Aid, Inc. (JALA), on behalf of the low-income residents of the Jacksonville, Florida area in response to the "Notice of Suspension of Small Area Fair Market Rent (Small Area FMR) Designations," published on December 12, 2017. JALA represents and has represented the residents of both Public Housing and Section 8 Housing in the Jacksonville area since the 1960's, and continues to represent said residents in annual negotiations with the Jacksonville Housing Authority (JHA) in their annual revisions of JHA's leases, Section 8 Administrative Plans, Public Housing ACOP, and Annual Plans submitted to HUD. In addition to representing residents and the city-wide Resident Association in policy negotiations with JHA, we represent residents in admission, termination, and eviction matters involving their JHA tenancies. JALA also provides technical assistance to Resident Associations on their by-laws, non-profit corporate status, and other transactional matters involving low-income housing residents' lives. Additionally, this organization, along with the U.S. Department of Justice, was involved in a successful administrative and legal challenge to the City of Jacksonville's illegally segregative public housing siting plans in the 1990's, which result led to increased integration of the City of Jacksonville's Public Housing program. (See, United States of America v. Jacksonville Housing Authority and City of Jacksonville, Case 3:0 0-CV-1165-J-25A, M.D. of Fla., 2000)

On behalf of the Section 8 Voucher residents who we represent, we would like to raise several issues in opposition to the suspension of the mandatory Small Area Fair Market Rent Designations. Jacksonville is one of the 23 affected metropolitan areas under the SAFMR program. The impact of suspending SAFMR will be particularly hurtful in Jacksonville due to a number of unique factors.

Jacksonville is relatively unique in that it:

1. Has only one major PHA covering the entire metro area;
2. Encompasses a large metropolitan area covering a wide range of housing prices and opportunities;
3. Has a long history of racially segregated housing areas which continue to this day for voucher households;
4. Has a Section 8 Voucher program which is over 85% African American and 90% minority;

5. Has been unable, under the current FMR system, to effectively offer voucher holders a realistic chance to live in areas of high opportunity; and
6. Due to its otherwise booming economy, has the ability to provide good opportunities for jobs, schooling, a safe neighborhood in many areas of the city which are currently un-rentable by Voucher holders due to low FMR's which fail to reflect the costs of housing in these high opportunity areas.

First, Jacksonville is the largest city in land area (758 square miles) in the lower 48 states. Its metro area is covered by only one major PHA offering Section 8 Vouchers in the immediate area – The Jacksonville Housing Authority. (The Jacksonville Housing Authority (JHA) manages roughly 7200 voucher units in the Jacksonville metro area. The two smaller rural PHA's within the metro area manage less than 200 additional units between them, meaning JHA manages over 97% of the Section 8 Housing Choice Voucher units in the Jacksonville metro area.) Like most metropolitan areas, Jacksonville has areas of extreme wealth, and extreme poverty. But having essentially only one PHA and one FMR range for an area this size (approximately 75% of the size of the entire state of Rhode Island) means that huge swaths of middle and upper-middle income Jacksonville are essentially un-rentable by Section 8 Voucher holders because the FMR's used by JHA allow for Voucher holders to find housing only in the lowest income areas. This problem is exacerbated by JHA using a less than 100% of FMR voucher payment standard – currently set at 97% of FMR, after many years at 95% of FMR.

The results of this policy show up clearly when analyzing the housing data of Section 8 Voucher holders in Jacksonville (see attachments). The City of Jacksonville, as a whole, is roughly 36% minority – the overwhelming percentage of which are African Americans. The Section 8 voucher program run by JHA is made up of 85% African American households and is 90% minority. This means that limiting where voucher holders can reside in Jacksonville due to a single (low) FMR standard means, in a practical sense, that HUD is limiting the 85% of Voucher holders who are African American to continued "ghettoization" with little opportunity to live in areas of greater economic opportunity, higher performing schools, and quality job opportunities. The single low FMR payment standard represents an almost insurmountable barrier to Section 8 residents seeking to achieve those dreams. SAFMR offers these residents, overwhelmingly African American, the opportunity to access the services and benefits of residing in the vast areas of opportunity otherwise available in the Metro Jacksonville Area.

Our belief that the one FMR system is not working is borne out by the statistics. The City of Jacksonville Metro FMR area has over 75% of Section 8 Voucher holders living in racially concentrated minority neighborhoods – and that figure is a staggering 79% for African American Voucher households. Over 60% of current voucher holders reside in neighborhoods with poverty rates of greater than 20%. (Please refer to the attachments provided).

Racially segregated housing patterns have a long-standing history in Jacksonville. Indeed, this office and the U.S. Department of Justice had to resort to administrative complaints and Federal Court lawsuits in 2000 to successfully force Jacksonville to allow the siting of public housing complexes in non-impacted areas without requiring additional zoning hurdles not required of other multi-family developments. Unfortunately, the segregation of Section 8 Voucher holders, 85%+ of whom are African American, continues with the single FMR system in place. The proposed

SAFMR system finally promised some real opportunities for voucher residents to escape the areas of high poverty, racial segregation, and limited opportunity, and enable voucher holders to reside in the many booming areas of Jacksonville which offer high opportunity, better schools, and safer neighborhoods. The current payment standards are simply too low to allow voucher holders to realistically move out of the impacted areas. The SAFMR rule had a primary component of de-concentrating voucher families from areas of high poverty and racial concentration. Suspending the rule will violate HUD's policy of non-discrimination and violate its duties under its requirements to Affirmatively Further Fair Housing pursuant to 42 U.S.C. §3608.

Though enforcement of SAFMR has added some administrative burden to JHA, it is manageable and, because SAFMR would essentially affect only one major PHA in the Jacksonville Metro area, its effects would be far less impactful than if multiple large or medium-sized PHA's were required to go through the process and co-ordinate their FMR's.

The JHA has already altered their current Administrative Plan to incorporate the use of SAFMR's. The figures for SAFMR rents for all bedroom sizes in all metro-area zip codes have already been computed. Even if individualized FMR's for each of the 75 zip codes is unwieldy, certainly a tiered system of 4 or 5 "tiers" of FMR's throughout the Jacksonville Metro area administered by one PHA would clearly not be unduly cumbersome or burdensome to JHA.

Our office regularly sees Voucher holders who attempt to reside in areas of high opportunity, only to be denied because their vouchers are $200 or more below the median rents in the areas in which they wish to live and have located available housing. Voucher holders in Jacksonville are frequently frustrated at their lack of true mobility to locate out of impacted areas due to the current single FMR standard. SAFMR data shows that many areas of opportunity would have their FMR's raised from $100 to $700 over current rates, offering real opportunity for Section 8 Voucher holders to live in diverse areas of opportunity. We urge HUD to withdraw the suspension of SAFMR and see if SAFMR can indeed help create opportunity, reduce voucher ghettoization, increase neighborhood integration, and provide better lives for voucher residents.

Under SAFMR, for families that wish to remain in place rather than seek opportunities elsewhere, the final rule did have important protections and safeguards to protect them from sudden increases in rent should the FMR decrease. To the extent that HUD is concerned with this potential for negative impacts on existing voucher participants, the final rule has given JHA and other PHA's the tools which will enable them to implement SAFMR in a way which will avoid or ameliorate problems to existing participants in the areas of payment standard changes and mobility. Our office has long worked with JHA staff in jointly crafting policies to be fair to voucher holders and I anticipate this cooperative relationship to continue while working through SAFMR implementation issues.

Additionally, I believe there would not be a loss of available units in the impacted areas because the FMR's in those areas already generally exceed the area market rents charged to non-voucher holders. A small reduction in rents in those areas are still going to keep most landlords in Section 8 due to the security of payments of the Section 8 rents from the JHA. Adding credence to this belief is the recent analysis released by the NYU Furman Center last week, attached for your review. This analysis of SAFMR and its effect on the number of available voucher units came to the conclusion that SAFMR would INCREASE the aggregate number of rental units affordable to Section 8 Voucher holders by 9.9% in the Jacksonville metro area. So not only would SAFMR decrease segregation, increase accessibility to areas of opportunity, and allow broader choice of housing areas to the voucher holders, it would also likely result in an increase of the aggregate number of affordable rental units available of voucher holders in Jacksonville.

To work in Jacksonville, SAFMR must remain mandatory because there is only one major PHA which controls 97% of area vouchers. If made optional and the JHA chooses not to join in, virtually no Section 8 voucher holders in the Jacksonville metro area will benefit.

In sum, delaying the mandatory adoption of SAFMRs for two years will directly impact many of the families we serve and make it more difficult for them to move to higher rent zip codes. Delaying implementation will perpetuate patterns of metropolitan-wide racial and class segregation in our jurisdiction. For the sake of the voucher families that we work with, we urge HUD to return to the original rule and mandate adoption of SAFMRs for regions like ours with the greatest concentration of voucher holders in high poverty areas. Please do not hesitate to contact us with any questions.

Last, we are aware of the ongoing litigation challenging the suspension of the SAFMR rule in *Open Communities Alliance et al v. Carson* and the Preliminary Injunction and Order dated December 23, 2017. We agree the court's ruling that HUD's original effort to suspend the SAFMR rule was unlawful. We submit these comments despite our uncertainty about the legality of HUD's subsequent notice and request for comment regarding the suspension of mandatory SAFMR implementation.

Sincerely,

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Jacksonville, FL 32202
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Resident Characteristics Report

Program Type : All Voucher funded Assistance

Effective Dates Included : 07/01/2016 through 10/31/2017

Property: Home Ownership, Port Out, Tenant Protection Voucher, Hope VI Voucher, Mod Rehab 1, IP-Mod Rehab 2, Mod Rehab 3, Mod Rehab 4, Liberty I, Liberty II, Liberty III, Single Room Occupancy 2, IP-Shelter Plus Care, Voucher Property, Port In, IP-Tenant Based Rental Assistance-COJ, Veterans Affairs Supportive Housing (VASH), Project Based Vouchers, Shelter Care Plus 2011, Special Needs Assistance, Special Needs Assistance Grant FY 2015, Special Needs Assistance Grant FY 2016, Special Needs Assistance Grant FY 2017, Special Needs Assistance Grant FY 2018, Shelter Care Plus VSH 2017

Units Information

ACC Units	Family Report (50058) Required	Family Report (50058) Received
7188	0	7,116

Income Information

Distribution by Income. Average Annual as a % of 50058

Extremely Low Income, 0% - 30% of Median		Very Low Income, 31% - 50% of Median		Low Income, 51% - 80% of Median		Above Low Income 81% + of Median	
Count	Percent	Count	Percent	Count	Percent	Count	Percent
5623	79	1166	16	307	4	18	0

Family Race/Ethnicity

Distribution by Head of Household's Race as a % of 50058

White Only	Black/African American Only	American Indian or Alaska Native Only	Asian Only	Native Hawaiian/Other Pacific Islander Only	White, American Indian/Alaska Native	White, Black/African American	White, Asian
13	86	0	0	0	0	0	0

All Other Combinations
0

Distribution by Head of Household's Ethnicity as a % of 50058

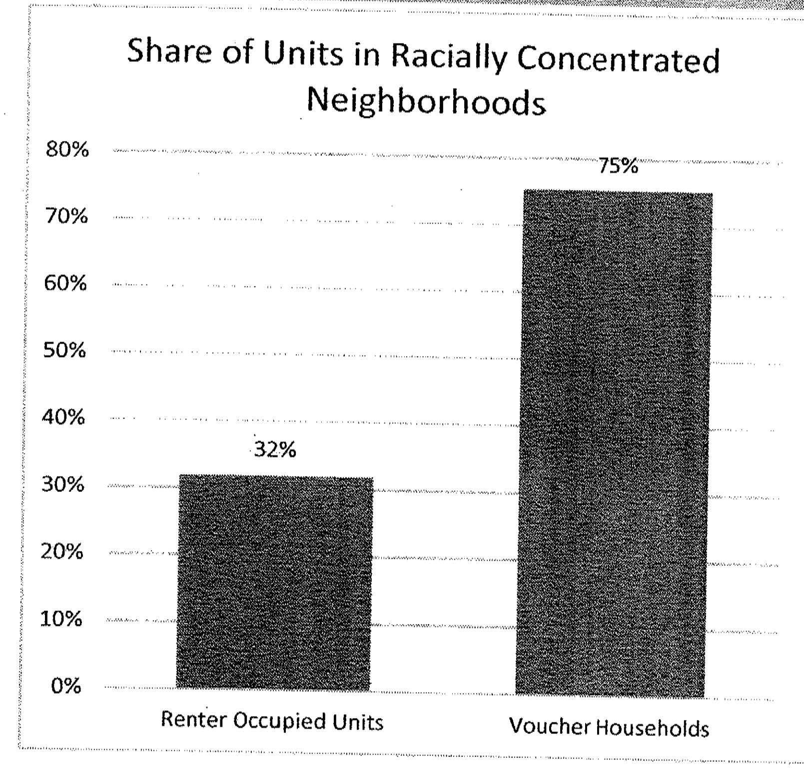
Hispanic or Latino	Not Hispanic or Latino
4	96

Jacksonville, FL HUD Metro FMR Area

Segregation of Area Housing Units

	Total Units	% in Racially Concentrated Neighborhoods
Renter Occupied Units	181,462	32%
White Occupied	101,077	15%
Non-White Occupied	80,385	53%
Voucher Households	7,345	75%
White-Headed	759	45%
Non-White-Headed	6,580	79%

SAFMR Area Total Pop % Non-White	36%
HCV Households % Non-White	90%



Notes:

A neighborhood is "racially concentrated" if at least 50% of the population is non-white
We use Census tracts as proxies for neighborhoods
Race/ethnicity based on the household head

Sources: 2011-2015 American Community Survey and 2016 HUD administrative data

NYU Furman Center

DATA BRIEF | JANUARY 5, 2018

How Do Small Area Fair Market Rents Affect the Location and Number of Units Affordable to Voucher Holders?

DATA BRIEF | JANUARY 2018

How Do Small Area Fair Market Rents Affect the Location and Number of Units Affordable to Voucher Holders?

INTRODUCTION

In November of 2016, the U.S. Department of Housing and Urban Development issued a final rule mandating the use of Small Area Fair Market Rents (FMRs) in 24 metropolitan areas as a strategy to allow housing choice voucher holders to rent homes in a wider variety of areas and reduce the number of voucher holders living in high-poverty neighborhoods.[1] The rule pegged the amount a voucher is worth ("the payment standard") to the rent in the Zip Code where a home is located rather than using the same payment standard for an entire metro area. In August of 2017, HUD announced it was delaying the mandatory implementation of Small Area FMRs for two years. As one justification for the suspension, the agency cited interim findings from the evaluation it commissioned in 2015 to study the implementation of Small Area FMRs in a few selected demonstration housing authorities. The interim report, publicly released in mid-August, 2017, found that while Small Area FMRs opened up options for voucher holders in high-rent areas, the aggregate number of rental units affordable to voucher holders fell by 3.4 percent.

To explore whether this same decline would occur in the 24 metropolitan areas named in the HUD rule, we have estimated (using the same methodology as the interim evaluation) how the location and number of affordable units in these 24 metros would change after a shift from a metro-wide FMR to small area FMRs. There are several reasons to doubt that this same decline would occur in the 24 metropolitan areas named in the HUD rule. First, in contrast to the initial

[1] Small Area FMRs are also mandated through a legal settlement in one of the 24 metropolitan areas (Dallas), regardless of the suspension.

pilot, the HUD rule required that *all* the housing authorities in a metropolitan area adopt Small Area FMRs. Second, HUD deliberately chose these 24 metropolitan areas because their market conditions made it likely that Small Area FMRs would expand options for voucher holders. And, indeed, our analysis shows that these differences between the pilot housing authorities and the final rule's 24 metros matter. Our empirical analysis finds that switching to Small Area FMRs would open up options for voucher holders in higher-rent ZIP Codes while reducing them in lower-rent ZIP Codes. It also finds that in aggregate, the number of units affordable to voucher holders in these metropolitan areas would *increase* with the use of Small Area FMRs. We estimate that 20 of the 24 metropolitan areas would see an increase in the number of affordable units while four would see a small decline. (As discussed below, other aspects of the rule can help to moderate these reductions.) Below we describe the history of the small area FMR rule in more detail, and then show the results of our analysis of how housing availability in the 24 metro areas would be affected by the rule.

SMALL AREA FAIR MARKET RENTS

The Housing Choice Voucher Program, HUD's largest rental assistance program, provides subsidies to low-income households to help cover the cost of homes rented on the private market. Voucher households generally pay 30 percent of their income on rent, and the voucher pays the difference between this amount and the rent, up to a specified payment standard. Voucher holders can opt for units with rents above the payment standard, but they have to pay in full any amount that the rent exceeds the payment standard.

In theory, voucher holders can choose to live in any neighborhood. In practice, however, they tend to reside in high-poverty neighborhoods. One likely contributor to this concentration is that historically the program has established a single payment standard across an entire metropolitan area, based on the "Fair Market Rent" or FMR at the 40th percentile of that metropolitan area's rent distribution. With a single payment standard operating across a metropolitan area, the homes affordable to voucher holders tend to be concentrated in jurisdictions and neighborhoods with relatively low rents, which are often areas with high poverty rates and limited opportunities for advancement. To try to address this concentration, HUD issued an interim rule in 2000 that set FMRs at the 50th percentile of rents in a set of metropolitan areas where voucher holders were using vouchers in a very limited number of neighborhoods. But research found the 50th percentile rule only raised voucher costs and did little to encourage or enable voucher holders to move to a broader set of neighborhoods.[2] HUD introduced Small Area FMRs as an alternative strategy to enable more voucher holders to move into higher rent, higher opportunity areas, without significantly raising overall subsidy costs. With Small Area FMRs, payment standards are set at the level of the ZIP Code, pegged to the 40th percentile of rents within the ZIP Code, likely opening up more units for voucher holders in higher-rent neighborhoods, but also reducing the number of affordable units in lower-rent areas.

SMALL AREA FMR DEMONSTRATION

In 2012, HUD selected five public housing authorities (PHAs) to participate in a Small Area FMR demonstration program (Chattanooga Housing Authority (TN), Housing Authority of Cook County (IL), Housing Authority of the City of Laredo (TX), Housing Authority of the City of Long Beach (CA), Town of Mamaroneck Housing Authority (NY)). The agency funded an evaluation to study the impacts of the adoption of Small Area FMRs in these five PHAs together with two housing authorities in the Dallas, TX metropolitan area, where Small Area FMRs were introduced in 2011 as part of a legal settlement (the Housing Authority of the City of Dallas and the Housing Authority of Plano).

The report showed that Small Area FMRs worked as expected, increasing the availability of homes in higher-rent areas and reducing the availability in lower-rent areas. In aggregate, however, the reduction in units available in lower-rent neighborhoods was larger than the increase in units available in higher-rent neighborhoods, leading to a 3.4 percent decline in the

[2] See Collinson, Robert, and Peter Ganong. "How Do Changes in Housing Voucher Design Affect Rent and Neighborhood Quality?" *American Economic Journal: Economic Policy*, 2017.

total number of rental units affordable to voucher holders, or renting at no more than the applicable FMR. But patterns varied across housing authorities, depending on the distribution of rental units. Long Beach was the only housing authority that saw a large (12%) decline in the number of units renting under the FMR. Given that the rental housing stock in this housing authority's catchment area is concentrated in lower rent ZIP Codes that saw a reduction in payment standard after the adoption of Small Area FMRs, large losses in lower-rent neighborhoods were not offset by gains in higher-rent and moderate-rent neighborhoods. Meanwhile, the Plano Housing Authority saw a large gain in the number of units affordable to voucher holders, as very few rental units in its catchment area were located in low-rent ZIP Codes. This large variation underscores that the effects of introducing Small Area FMRs in one set of housing authorities will not necessarily generalize to another.

2016 RULE

In November of 2016, HUD issued the final rule mandating the use of Small Area FMRs in 24 metropolitan areas, as a replacement for the 50th percentile rule. The final rule included several features that made it less likely that the number of units affordable to voucher holders would fall after the introduction of Small Area FMRs.

First, HUD mandated the use of Small Area FMRs in entire metropolitan areas to avoid employing Small Area FMRs in only those portions of metropolitan areas that are disproportionately composed of lower-rent ZIP Codes where payment standards would fall, as was the case in Long Beach.

Second, HUD identified the 24 metropolitan areas that would be subject to the Small Area FMR by analyzing where the concentration of voucher holders in high poverty neighborhoods was greatest and assessing where the agency deemed that Small Area FMRs were most likely to expand choices for voucher holders. In particular, the agency only chose metropolitan areas with an above-average share of rental units located in high-rent ZIP Codes, or ZIP Codes in which the Small Area FMR is more than 110% of the metropolitan area-wide FMR. In recognition that voucher holders may face unique challenges in finding homes in very tight housing markets, the final rule also exempted metropolitan areas with very low vacancy rates.

CHANGE IN THE LOCATION AND NUMBER OF VOUCHER-AFFORDABLE UNITS IN 24 METROPOLITAN AREAS

As noted, the differences between the selection criteria used in HUD's Small Area FMR Final Rule and those used to choose the seven housing authorities studied in HUD's Small Area FMR evaluation make it unlikely that the 24 metropolitan areas identified in the Final Rule would see the same change in the number of affordable units. Certainly, the differences suggest that a distinct analysis is needed to understand how Small Area FMRs will affect the availability of affordable units in this set of 24 geographic areas.

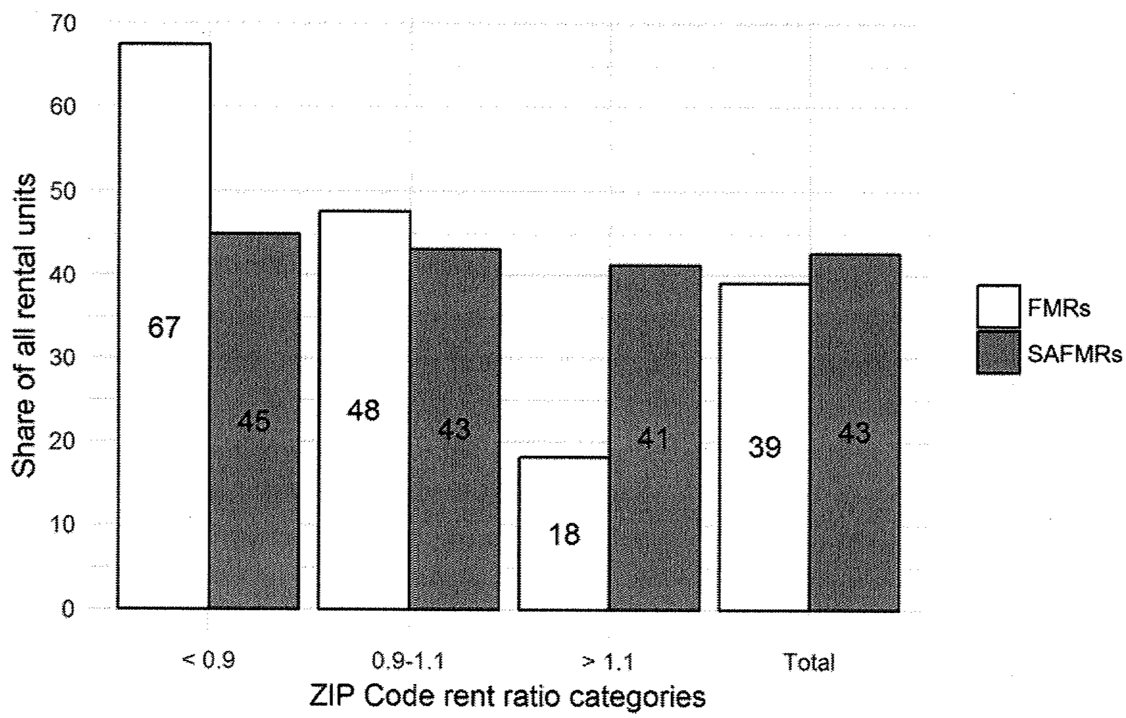
We undertake such a test by replicating the methodology used in the interim evaluation of the Small Area FMR demonstration in the 24 metropolitan areas to which the rule would apply. Consistent with that evaluation, we define units as unaffordable if their rents exceed the applicable FMR.[3] Similar to the interim report, we count and compare the number of units with rents below the conventional FMR to the number with rents below the Small Area FMR in each ZIP Code in a metropolitan area.[4] Consistent with the report, we divide ZIP Codes into three groups: High-Rent, Moderate-Rent, and Low-Rent, defined as follows:

- Low-rent ZIP Codes: Small Area FMR less than 90 percent of FMR.
- Moderate-rent ZIP Codes: Small Area FMR between 90 and 110% of FMR.
- High-rent ZIP Codes: Small Area FMR more than 110 percent of FMR.

[3] For this analysis, we assume all payment standards are set at the applicable FMR, even though housing authorities have the flexibility to set them between 90 and 110 percent of the FMR.
[4] Note for the five metropolitan areas currently operating under a 50th percentile FMR (Philadelphia, San Diego, Bergen-Passaic, West Palm Beach, and Washington, DC), we use the 40th percentile of rents to define the metropolitan area FMR instead, as they will be required to use 40th percentile FMRs starting in 2019 or 2020, if Small Area FMRs are not adopted.

Figure 1 shows the aggregate change in the share of rental units in these groups of ZIP Codes that are affordable to voucher holders (or with rents below the FMR). Under metropolitan-wide FMRs, two thirds of units in low-rent ZIP Codes are affordable to voucher holders, while only 18 percent of those in high-rent ZIP Codes are affordable. Under Small Area FMRs, the share of units that are affordable increases greatly in high-rent ZIP Codes while dropping considerably in low-rent ZIP Codes, such that a similar share of units are affordable in all three groups of ZIP Codes. We see the same basic pattern in each of the 24 metropolitan areas.

FIGURE 1: Share of Rental Units Below SAFMR and Metropolitan Area FMR



Significantly, the gains in high-rent ZIP Codes outweigh the losses in lower-rent ZIP codes. Table 1 shows that overall, we would see an *increase* of over 9 percent in the number of units affordable to voucher holders after the adoption of Small Area FMRs in these 24 metropolitan areas. Four of the 24 metropolitan areas show slight declines, however. In each case, reductions are less than five percent; Monmouth-Ocean, New Jersey and Gary, Indiana are the only metropolitan areas expected to see a decline of more than three percent.

TABLE 1: Rental Units Affordable to Voucher Holders by Metropolitan Area

	Total Rental Units	Affordable Units		Share of Units Affordable		Absolute Difference (Small Area FMR - FMR)	Percentage Change (Small Area FMR – FMR/FMR)
		FMR	Small Area FMR	FMR	Small Area FMR		
All SAFMR Areas	*6,400,441*	*2,502,534*	*2,730,817*	*39.1%*	*42.7%*	*228,283*	*9.1%*
Atlanta-Sandy Springs-Roswell, GA HUD Metro FMR Area	584,755	240,664	267,765	41.2%	45.8%	27,101	11.3%
Charlotte-Concord-Gastonia, NC-SC HUD Metro FMR Area	214,574	86,395	94,177	40.3%	43.9%	7,783	9.0%
Chicago-Joliet-Naperville, IL HUD Metro FMR Area	870,900	324,163	343,921	37.2%	39.5%	19,758	6.1%
Gary, IN HUD Metro FMR Area	63,166	27,636	26,386	43.8%	41.8%	-1,250	-4.5%
Colorado Springs, CO HUD Metro FMR Area	71,519	25,781	28,470	36.0%	39.8%	2,689	10.4%
Dallas, TX HUD Metro FMR Area	564,569	218,961	246,297	38.8%	43.6%	27,337	12.5%
Fort Worth-Arlington, TX HUD Metro FMR Area	240,719	98,612	111,475	41.0%	46.3%	12,863	13.0%
West Palm Beach-Boca Raton, FL HUD Metro FMR Area	136,643	51,030	60,476	37.3%	44.3%	9,447	18.5%
Bergen-Passaic, NJ HUD Metro FMR Area	170,781	57,675	64,867	33.8%	38.0%	7,192	12.5%

Hartford-West Hartford-East Hartford, CT HUD Metro FMR Area	121,203	49,104	48,484	40.5%	40.0%	-621	-1.3%
Jackson, MS HUD Metro FMR Area	50,227	20,724	21,217	41.3%	42.2%	493	2.4%
Jacksonville, FL HUD Metro FMR Area	145,936	58,417	64,203	40.0%	44.0%	5,787	9.9%
Fort Lauderdale, FL HUD Metro FMR Area	213,688	79,774	87,294	37.3%	40.9%	7,520	9.4%
Monmouth-Ocean, NJ HUD Metro FMR Area	75,795	30,634	29,135	40.4%	38.4%	-1,499	-4.9%
North Port-Sarasota-Bradenton, FL MSA	76,418	32,035	31,087	41.9%	40.7%	-948	-3.0%
Palm Bay-Melbourne-Titusville, FL MSA	51,246	18,925	22,381	36.9%	43.7%	3,456	18.3%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA	581,531	240,731	245,718	41.4%	42.3%	4,987	2.1%
Pittsburgh, PA HUD Metro FMR Area	220,210	87,734	88,737	39.8%	40.3%	1,003	1.1%
Sacramento--Roseville--Arden-Arcade, CA HUD Metro FMR Area	229,769	93,206	97,528	40.6%	42.4%	4,323	4.6%
San Antonio-New Braunfels, TX HUD Metro FMR Area	242,058	84,650	108,635	35.0%	44.9%	23,986	28.3%
San Diego-Carlsbad, CA MSA	429,988	168,800	179,547	39.3%	41.8%	10,747	6.4%
Tampa-St. Petersburg-Clearwater, FL MSA	330,210	135,180	142,669	40.9%	43.2%	7,489	5.5%
Urban Honolulu, HI MSA	102,358	36,398	43,200	35.6%	42.2%	6,802	18.7%
Washington-Arlington-Alexandria, DC-VA-MD HUD Metro FMR Area	612,177	235,311	277,153	38.4%	45.3%	41,842	17.8%

Of course these estimates do not determine where voucher holders will actually live. PHAs are allowed to set the payment standard at a level above the FMR and take other measures to allow more units to be affordable to voucher holders under Small Area FMRs. And of course, there are barriers to mobility other than the FMR; voucher holders may not learn about homes in higher-rent ZIP Codes, they may deem them as too far from current social, employment, and educational networks, or they may have difficulty finding a landlord willing to accept vouchers. These estimates simply replicate the analysis used in the interim report to predict changes in the number of units with rents affordable to voucher holders.

CONCLUSION

This analysis underscores the value of analyzing in advance where Small Area FMRs are most likely to increase options for voucher holders in order to target the policy. It shows that the impact of shifting to Small Area FMRs varies across markets. It should also provide some reassurance to those concerned about a reduction in affordable units in the 24 metropolitan areas mandated to adopt Small Area FMRs. In these 24 metropolitan areas, the number of units affordable to voucher holders will actually *increase* by more than 9 percent in aggregate under Small Area FMRs. This perhaps should not be surprising given that HUD selected these metropolitan areas precisely because the agency deemed that these were areas where Small Area FMRs would likely to expand choices for voucher holders.

That said, we estimate that four metropolitan areas will experience a small reduction in the number of affordable units. Significantly, our analysis does not take into account the strategies that HUD's Final Small Area FMR Rule offers housing authorities to mitigate reductions in payment standards in low-rent ZIP Codes. In addition to the ability to set payment standards at 110 percent of the Small Area FMR, the rule also allows PHAs to request and receive approval to establish an even higher payment standard for a ZIP Code if needed "to ensure sufficient rental units are available for voucher families."[5] Further, for existing voucher holders who remain in place, it permits housing authorities to set payment standards anywhere between the newly applicable Small Area FMR rate or the previous FMR payment. These four housing authorities may want to consider one of more of these strategies when adopting Small Area FMRs.

METHODOLOGY

To estimate the number of rental units affordable under the Small Area FMR and FMR definitions in the 24 metropolitan areas named in the HUD rule, we use data that HUD provides at the Zip Code Tabulation Area (ZCTA) level, which we then aggregate up to metropolitan areas. Due to data availability, our analysis only considers one to three bedroom rental units (87% of all rental units nationally in 2016 according to the American Community Survey). The analysis is based on publically available files made available on HUD's Fiscal Year 2018 Fair Market Rent Documentation System.

We first associate each ZCTA to its metropolitan area, using the 2010 ZCTA to County Subdivision Relationship file, provided by the US Census Bureau, to adjust ZCTAs that cross HUD metro area boundaries. We then assign each ZCTA its FY 2018 Small Area FMR and FMR payment standards, and deflate the payment standards to 2015 dollars using the Comparison Rent Adjustment Factors file. Finally, we calculate the number of one to three bedroom rental units in each ZCTA that rented at or below the adjusted Small Area FMRs and FMRs. To do this, we use a special ZCTA-level dataset of rental units by bedroom size and rent increment from the 2011-2015 American Community Survey, which is posted on the HUD User website. Lastly, we aggregate the number of affordable rental units by ZCTA to the metropolitan areas.

[5] Establishing a More Effective Fair Market Rent System; Using Small Area Fair Market Rents in the Housing, 81 Fed. Reg. 80567, pages 80567-80587 (November 16, 2016).

The detailed code and data files for this analysis are available on the NYU Furman Center's GitHub repository.

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ABOUT THE NYU FURMAN CENTER

The NYU Furman Center advances research and debate on housing, neighborhoods, and urban policy. Established in 1995, it is a joint center of the New York University School of Law and the Wagner Graduate School of Public Service. More information can be found at furmancenter.org and @FurmanCenterNYU.