

10/23/2017

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Giving Public Housing Agencies More Time to Succeed

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HUD recently sent a letter to more than 200 public housing agencies (PHAs) in 23 metropolitan areas across the country informing them that HUD is delaying the mandatory implementation of Small Area Fair Market Rents by 2 years.

To be clear, this action is not a rollback of HUD's **Small Area Fair Market Rent (FMR) Final Rule**. The rule is in effect. If a PHA is ready to use Small Area FMRs, it may do so today.

As the original deadline approached, it became clear to us that PHAs needed more time to integrate this big change into their voucher programs. We contemplated this possibility during the rulemaking process, and the final rule allows the Secretary to give local agencies additional time if it was determined that they needed it—and they needed it.

This decision was informed by research. As many readers of this column know, a handful of PHAs are currently operating a Small Area FMR Demonstration. We now have some preliminary results from a just-published interim evaluation that provides information on administrative processes and costs as well as some initial estimates of program impacts such as changes to the availability of affordable units, average Housing Assistant Payments, and tenant rent burden. We are looking forward to a final report on this demonstration next summer that will have an additional year of data as well as the results from tenant and landlord interviews.

As we allow PHAs more time to meet their new requirements, we want to make sure their programs are informed by the lessons learned by these early adopters so they can implement their own programs in a manner that will have maximum benefit for those families participating in the voucher program.

As PHAs in the 23 areas identified by the Small Area FMR rule work to implement Small Area FMRs by no later than January 1, 2020, they should start planning now. HUD is working on formal guidance and technical assistance, but here is my advice based on the interim evaluation:

1. Read the **final rule**. There are some important tools in the rule that PHAs could start using now and could improve program operations.
2. Read the **interim evaluation report**. This rich and accessible research provides a good roadmap for implementation. Among other things, it confirms that Small Area FMRs do open up previously inaccessible neighborhoods for voucher tenants. It also shows that with good planning, it is possible to have a successful program that does not break the bank.
3. Know your market.
 - Do your own market research. Does this change make more or fewer units available? Will this change cause you to have higher or lower average Housing Assistance Payments (HAP)? PHAs that operate only in high cost areas will experience a significant increase in their average HAP. PHAs that operate mostly in low cost areas may see a decrease in their average HAP, although the Housing Opportunity Through Modernization Act of 2016 (HOTMA) allows PHAs to grandfather payment standards for tenants that remain in place. The final rule

10/23/2017

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implemented the HOTMA provision and provides additional flexibilities for PHAs in setting payment standards for families currently receiving assistance in areas where the FMR decreases.

- Do the leg work to determine how you would set payment standards around the Small Area FMR before you have to do it. This is a major work item.
- Think about recruiting new landlords.
- Ideally you are ready to implement Small Area FMRs when market conditions are favorable. A soft rental market is your friend

4. Get the back office ready.

- This does increase your administrative costs — both one-time costs for information technology (IT) changes and the development of new procedures as well as ongoing operations costs. Start planning your administrative budget.
- Upgrade your IT now.
- Be prepared for a spike in moves among existing tenants. You may need to temporarily increase your capacity to conduct inspections.
- Talk to your front-line staff about implementation before and during the process. Be quick to address misunderstandings and retrain as needed.

It is unusual to have a research study available at the moment you need to make a policy decision. In this rare case, when the timing was right, we were able to make an informed decision. I strongly encourage all interested parties to carefully read the interim evaluation and help our PHAs move toward successful implementation.

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