August 15, 2016

Helen R. Kanovsky, General Counsel
Regulations Division, Office of General Counsel
Department of Housing and Urban Development
451 7th Street, SW, Room 10276
Washington, DC 20410-0500


Dear colleagues,

We are writing on behalf of the undersigned housing and civil rights organizations to express our strong support for the Department of Housing and Urban Development’ (HUD’s) proposal to implement Small Area Fair Market Rents (SAFMRs) in metropolitan areas where Housing Choice Voucher (HCV) families are most severely clustered in high-poverty neighborhoods. This is a long overdue policy initiative that will better align HUD’s largest low-income housing program with its ongoing duty to affirmatively further fair housing.

In addition to our strong support for the proposed rule, we have several specific suggestions that would improve the rule’s reach to the most starkly segregated metropolitan areas, better protect existing tenants in markets with low vacancy rates, and enhance the benefits of the rule for all voucher tenants. We also respond to several of HUD’s specific questions in the notice of proposed rulemaking.

Finally, we urge HUD to expedite the issuance of a final rule. The powerful recent research by Raj Chetty, Professor of Economics at Stanford University, and his colleagues on the economic and educational benefits for children who move to lower-poverty neighborhoods\(^1\) reinforces earlier research on the health and educational benefits of moving to less-segregated environments,\(^2\) and underscores the urgency of this proposed rule.

HUD has known for decades that the current system for setting HCV rents has contributed to the concentration and segregation of Black and Latino families. Reform of the HCV program is a fair-housing priority, and should not be put off until the next administration.

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HUD’s Formula for Selecting Mandatory Small Area FMRs Should Be Adjusted to Reach the Areas of Greatest Need

We appreciate the logic behind HUD’s three-part formula for selecting metropolitan areas for mandatory SAFMR adoption, but were surprised at the omission of some of the most concentrated and segregated housing markets in our country. Accordingly, we urge HUD to consider some minor adjustments to the selection criteria to yield more effectively targeted results.

We believe that part of the problem is the formula’s reliance on the ratio of voucher concentration to rental housing concentration. As we noted in our comments on the Advance Notice of Proposed Rulemaking, “rental unit concentration is not independent of race and poverty concentration; rather it is a function of exclusionary housing policies and uneven metropolitan development.” Thus, a reliance on rental unit concentration may have the unintended effect of leaving out some metro areas with the most highly exclusionary development patterns. This problem also extends to the measurement of the percentage of rental units in areas above 110 percent of the regional FMR. It is important to determine whether there are sufficient rental units in higher-cost areas of the targeted regions, but this goal needs to be balanced with a recognition that distribution of rental units across a region is not a naturally occurring phenomenon.

If HUD were to make a simple adjustment of the formula to compare voucher concentration to the distribution of all housing units, and reduce the required proportion of rental units in areas over 110 percent of the regional FMR to 17 percent, it would resolve this data problem, and capture more of our most deeply segregated metro areas. As illustrated in Exhibit A, this approach would cover 31.9 percent of all vouchers in the country (compared to 28.2 percent in the NPR), and it would yield a more appropriate mix of metro areas (see Exhibit B, which is a side-by-side comparison of metro areas included and excluded by the two methods).

An alternative approach would prioritize metropolitan areas with the highest proportion of families with young children living in concentrated poverty neighborhoods. This approach would not specifically assess the distribution of vouchers, but would respond directly to the powerful research of Professor Chetty and his colleagues on the benefits of mobility for young children, and it would also be consistent with HUD’s duty to affirmatively further fair housing.

Protecting Existing Housing Choice Voucher Families in Areas with Low Vacancy Rates

We strongly support the proposed rule’s goal of reducing above-market rent payments to landlords in high-poverty, low-rent neighborhoods. Higher-than-average FMRs in poor neighborhoods have created incentives for tenants to move into these neighborhoods, and have given landlords strong incentives to recruit Section 8 families. These incentives have led to

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4 As we noted in our comments on the Advance Notice of Proposed Rulemaking, “metropolitan areas with only a few communities above the FMR may also be areas where exclusionary suburban jurisdictions have been most successful in excluding multifamily rental housing—including some of these areas in this rule could have a powerful impact without utilizing a large number of vouchers.” Id.
excessive costs for HUD, are contrary to HUD’s fair-housing goals, and have undermined Section 8’s original deconcentration goals.

However, we believe that the implementation of the rule in high-cost cities with low-vacancy rates could seriously disadvantage existing HCV families who have few realistic options anywhere in their city or metro area. In cities like New York or Oakland, with vacancy rates below 5 percent (and correspondingly low “move” rates), families will likely be paying increasingly high percentages of their income for rent as the FMR decreases, and many will eventually face eviction. The proposed rule’s two-year phase-in for existing tenants does not provide sufficient protection for families in these high-cost, low-vacancy cities. Likewise, the option given to public housing authorities (PHAs) by the new Housing Opportunity Through Modernization Act of 2016, to postpone reductions in payment standards for existing tenants, does not go far enough, because it relies on the discretion of PHAs that may be facing cost pressures to reduce payment standards.

For these reasons, we recommend an exemption from decreases in authorized Section 8 rent levels for existing tenants in cities with rental vacancy rates that remain below 5 percent. SAFMRs should be implemented only for new tenants (or existing tenants who move) in these areas.

Permitting PHAs to Voluntarily Select Small Area FMRs for their Voucher Families

The provision permitting any PHA to voluntarily adopt SAFMRs is perhaps the most important element of the proposed rule. The opt-in provision will allow PHAs to take immediate steps to affirmatively further fair housing, and to adjust their FMRs to local market conditions.

In order to make this opt-in provision more efficient and effective, HUD should eliminate the language in the proposed rule that suggests that HUD approval is required for SAFMR adoption; it should be sufficient to simply include the adoption of SAFMRs in the PHA Plan. Similarly, for the change to be meaningful regionally, HUD should remove the word “jurisdiction” in proposed §888.113(h), to clarify that the new SAFMRs apply in any zip code where a PHA’s voucher is placed in the metropolitan area.

Greater Accuracy in Small Area Rent Calculations

As noted by the Center on Budget and Policy Priorities in its 2015 policy brief, in a number of metro areas, SAFMR calculations included in the annual October FMR release have appeared to be below actual neighborhood rent levels in those areas. HUD should fine-tune its current formula to include rent variations for different bedroom size units, and to ensure that the five-year American Community Survey is keeping pace with actual rents in each zip code, particularly in the targeted metro areas, and to make upward adjustments as needed. PHAs should also have greater flexibility to request exception payment standards up to 120 percent and 130 percent of the SAFMR in the highest-cost areas, if the current SAFMR is demonstrated to be insufficient to reach a reasonable portion of the local rental market.

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6 Public Law No: 114-201
Mobility Counseling Assistance

In order to maximize the impact of this expansion, HUD should prioritize the metro areas selected for eligibility for housing mobility counseling funds, from whatever source can be made available in the future (including a portion of funds from the HUD Housing Counseling program, the Administrative Fee reserve fund, and specific budget allocations to support housing mobility services). Mobility counseling assistance is particularly important for families living in high-poverty neighborhoods, who may be facing rent increases as the share of rent paid by their voucher decreases.

Response to Specific HUD Questions

Below, we provide responses to specific questions on which HUD has requested comment:

1. Should HUD provide for PBVs that are in the pipeline to continue using metropolitan FMRs, even if the area is designated as a Small Area FMR area? Additionally, should HUD require newly proposed PBVs post Small Area FMR designation to use Small Area FMRs?

   We agree that project-based vouchers (PBVs) that are already committed to projects (or are in the proposal stage) should continue to use current FMRs, so as not to disrupt project financing. However, in the unusual circumstance where a project is being proposed in a higher-rent area, PHAs should be permitted to switch to higher SAFMRs in current planned projects.

   For future PBV projects not yet “in the pipeline,” it is essential to apply the SAFMR policy prospectively, to remove the current HUD incentive to develop new low-income housing in segregated, high-poverty neighborhoods.

2. The proposed rule provides for Small Area FMR area selection parameters to be codified in regulatory text. HUD is seeking comment on whether these parameters should be codified or should be incorporated into each annual proposed FMR notice to provide HUD, PHAs, and other stakeholders with flexibility, in any given fiscal year, to offer changes to these selection parameters and have the opportunity to comment before any changes to the parameters are made.

   It is important to codify the goals and general selection standards for SAFMRs in concentrated metro areas, but the published regulatory provisions should give flexibility to HUD to publish proposed adjustments to the specific selection formula in future years.

3. HUD seeks comment on what additional policies or requirements the final rule should include that would mitigate the impact of significant and abrupt decreases in the FMRs for certain ZIP code areas on families currently under HAP contract in those impacted areas.

   See discussion at page 2, above. HUD should particularly move to protect existing tenants in metropolitan areas with low vacancy rates.

4. Related to question 3, HUD seeks comment on whether the final rule should limit the potential decline in the FMR for a ZIP code area resulting from the implementation of Small Area FMRs in order to ensure that sufficient housing opportunities remain available to voucher holders? If
so, HUD seeks recommendations on specific policies or requirements that should be included in the final rule to achieve the desired outcome.

We agree with comments submitted by the Center on Budget and Policy Priorities that HUD should phase in SAFMRs in zip codes that would experience the sharpest declines in rent relative to the current regional FMR.

7. HUD seeks public comment as to whether or not other HUD rental assistance programs would benefit from using Small Area FMRs in their operations. For example, would the rental assistance component of the Housing Opportunities for Persons with AIDS (HOPWA) programs be a candidate for Small Area FMR treatment? Frequently, metropolitan FMRs are inadequate for HOPWA assisted tenants to find units near health care facilities, or in neighborhoods with better job opportunities. Should the HOPWA program regulations be amended to allow participating jurisdictions the flexibility to set tenant-based assistance rents according to Small Area FMRs either in areas that would be designated Small Area FMR areas or for the HOPWA program more generally? Would other HUD programs benefit as well?

HUD should permit PHAs or entitlement jurisdictions or states to extend the SAFMR approach to other HUD housing programs.

9. Are there specific groups within the general population of voucher holders for whom this policy change would be particularly burdensome? What are the ways in which this policy change could create a disproportionate burden on certain groups like elderly and disabled voucher holders?

To the extent that the proposed rule leads to rent increases for households who cannot easily move, these households would face a disproportionate burden; however, such impacts can be mitigated by the proposed delays and exemptions discussed above, and the flexibility in increasing rents as a reasonable accommodation for persons with disabilities.

10. HUD is seeking comment on the criteria that HUD selected for determining which metropolitan areas should be impacted by the shift to a Small Area FMR instead of the current 50th percentile policy. Did HUD use the correct criteria in making these choices? What other criteria should HUD be using to select metropolitan areas that will be impacted by this rule change and why are those criteria important?

See discussion at page 1, above. In general, adjustments to the formula should prioritize metropolitan areas with the greatest degree of racial and economic segregation and areas with the highest numbers of families with young children living in high-poverty neighborhoods.

11. Given the costly nature of moving a manufactured home, HUD is seeking comment on whether or not current voucher holders using their voucher for a manufactured home space should be exempt from Small Area FMRs at their current address?

We agree that this exemption should be included in the rule.
12. HUD has proposed to amend the Exception Payment Standard rules at 24 CFR 982.503 to account for the fact that FMR areas in Small Area FMR designated metropolitan areas will be ZIP codes. HUD is seeking public comment to determine if there are other amendments HUD should make to the Exception Payment Standard Regulations to better facilitate the approval process of Exception Payment Standards.

Under the proposed rule, we understand that PHAs may adjust payment standards for census tracts within zip codes to take into account varying range. PHAs may make such payment standards adjustments by right, within the 90–100 percent range, and may apply to HUD for census-tract-based exception payment standards below 90 percent or above 110 percent of the zip code’s SAFMR. To facilitate this approach, HUD should eliminate language in the current rule that does not apply at the zip code level, such as the 50 percent population cap at 24 CFR 982.503(c)(5). HUD should also eliminate the current language requiring a finding that “such approval is necessary to prevent financial hardship for families,” which has been interpreted to require PHAs to show disproportionate rent burdens for families already living in an area targeted for the exception payment standard. It should be sufficient to show that the current SAFMR levels do not reasonably give voucher families access to those neighborhoods. HUD should also streamline the procedures for PHAs to seek exception payment standards up to 130 percent of the SAFMR.

13. HUD makes administrative data for research into HUD’s programs available in a variety of ways (i.e., Public Use Microdata Sample—PUMS data, Research Partnerships, and Data License Agreements). HUD seeks comment on what additional data or dissemination strategies would be helpful to the public to assess the impact of the implementation of the Small Area FMR proposed rule.

HUD should make the data used in the proposed SAMFR formula publicly available.

Thank you for the opportunity to comment on the Notice of Proposed Rulemaking. We urge HUD to move as quickly as possible to issue a Final Rule so that this new approach can go into effect during the 2017 fiscal year.

Sincerely,

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Brian Knudsen
Poverty & Race Research Action Council
Washington, DC

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Washington, DC

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Fair Share Housing Center of New Jersey  
Cherry Hill, NJ

Jim McCarthy  
Miami Valley Fair Housing Center  
Dayton, OH

John Zimmerman  
Central Ohio Fair Housing Association  
Columbus, OH
<table>
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<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Memphis, TN-MS-AR HUD Metro FMR Area</td>
<td>2.216354111</td>
<td>0.2753</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Phoenix-Mesa-Chandler, AZ MSA</td>
<td>2.151988843</td>
<td>0.3634</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Los Angeles-Long Beach-Glendale, CA Metro Division</td>
<td>2.135813481</td>
<td>0.2738</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Miami-Miami Beach-Kendall, FL Metro Division</td>
<td>2.085538387</td>
<td>0.1937</td>
<td>Yes</td>
<td>Yes</td>
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</tr>
<tr>
<td>Urban Honolulu, HI MSA</td>
<td>2.045211554</td>
<td>0.3861</td>
<td>Yes</td>
<td>Yes</td>
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</tr>
<tr>
<td>Riverside-San Bernardino-Ontario, CA MSA</td>
<td>1.975382447</td>
<td>0.2729</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Las Vegas-Paradise, NV MSA</td>
<td>1.430953264</td>
<td>0.419</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>
Exhibit B: PRRAC Alternative SAFMR Index

FMR Areas captured by both PRRAC and HUD indices

Nassau County-Suffolk County, NY Metro Division
Monmouth-Ocean, NJ HUD Metro FMR Area
North Port-Bradenton-Sarasota, FL MSA
Hartford-West Hartford-East Hartford, CT HUD Metro FMR Area
Washington-Arlington-Alexandria, DC-VA-MD HUD Metro FMR Area
Pittsburgh, PA HUD Metro FMR Area
West Palm Beach-Boca Raton-Delray Beach, FL Metro Division
Fort Lauderdale-Pompano Beach-Deerfield Beach, FL Metro Division
Tacoma-Lakewood, WA Metro Division
Palm Bay-Melbourne-Titusville, FL MSA
Bergen-Passaic, NJ HUD Metro FMR Area
San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area
Jacksonville, FL HUD Metro FMR Area
Chicago-Joliet-Naperville, IL HUD Metro FMR Area
Virginia Beach-Norfolk-Newport News, VA-NC HUD Metro FMR Area
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA
Atlanta-Sandy Springs-Marietta, GA HUD Metro FMR Area
Tampa-St. Petersburg-Clearwater, FL MSA
Jackson, MS HUD Metro FMR Area
Charlotte-Gastonia-Rock Hill, NC-SC HUD Metro FMR Area
Gary, IN HUD Metro FMR Area
Oxnard-Thousand Oaks-Ventura, CA MSA
San Diego-Carlsbad-San Marcos, CA MSA
Oakland-Hayward-Berkeley, CA Metro Division
Colorado Springs, CO HUD Metro FMR Area
San Antonio-New Braunfels, TX HUD Metro FMR Area
Dallas-Plano-Irving, TX Metro Division

FMR Areas only captured by PRRAC index

St. Louis, MO-IL HUD Metro FMR Area
Newark, NJ HUD Metro FMR Area
Boston-Cambridge-Quincy, MA-NH HUD Metro FMR Area
Richmond, VA MSA
Cincinnati-Middletown, OH-KY-IN HUD Metro FMR Area
Columbus, OH HUD Metro FMR Area
Baltimore-Columbia-Towson, MD MSA
Kansas City, MO-KS HUD Metro FMR Area
Detroit-Warren-Livonia, MI HUD Metro FMR Area
Denver-Aurora-Broomfield, CO MSA
Milwaukee-Waukesha-West Allis, WI MSA
Anaheim-Santa Ana-Irvine, CA Metro Division

FMR Areas only captured by HUD index

Sacramento-Arden-Arcade–Roseville, CA HL
Fort Worth-Arlington, TX HUD Metro FMR Ar
New York, NY HUD Metro FMR Area
Urban Honolulu, HI MSA

Note: PRRAC only includes areas up to a cumulative percentage of 31.9% of all HCVs, i.e. to Dallas-Plano-Irving, TX Metro Division.