

## HUD Publishes Proposed Small Area Fair Market Rents in Housing Choice Voucher Rule

On June 16, 2016, HUD published the proposed rule, “Establishing a More Effective Fair Market Rent System; Using Small Area Fair Market Rents in Housing Choice Voucher Program Instead of the Current 50th Percentile FMRs” in the Federal Register (81 Fed. Reg. No. 116, Docket No. FR-5855-P-02).

### Effect

This rule requires PHAs use Small Area Fair Market Rents (FMRs) based on individual ZIP codes in determining voucher amounts in metropolitan areas where (1) at least 2,500 Housing Choice Vouchers (HCVs) are under lease, (2) at least 20 percent of the area’s standard quality rental stock is located in ZIP codes with Small Area FMRs greater than 110 percent of the metropolitan area FMR, and (3) the amount of HCV holders relative to total renters living in concentrated low-income areas exceeds 155 percent. HCV holders in such metropolitan areas will receive subsidies to cover FMR at the 40th percentile for a particular ZIP code.

This replaces the existing system of providing all HCV holders with subsidies in the amount of FMR at the 50th percentile for the entire metropolitan area. Metropolitan areas that receive the Small Area FMR designation will transition to such on the effective date of their designation, while other metropolitan areas will return to 40th percentile FMR vouchers upon expiration of their three-year periods.

Small Area FMRs will only apply to project based voucher (PBV) projects where the PHA’s notice of owner selection is made after the Small Area FMR designation. Existing PBVs will remain subject to the metropolitan FMR, unless owners and PHAs mutually agree to apply Small Area FMRs.

In total, 31 metropolitan areas will begin using Small Area FMRs. These areas contain approximately 564,000 HCV households, or 28 percent of the HCVs nationwide.

### Intent

HUD hopes that this rule will deconcentrate the number of HCV holders that choose to live in impoverished areas and instead encourage moving to areas of economic opportunity. Under the 50th percentile regime, a majority of HCV holders choose to live in areas where rents are low but poverty is high. Giving HCV holders vouchers in the amount of this higher FMR percentile (the 50th percentile FMR is on average \$79 more than the 40th percentile FMR) primarily benefits landlords in low income areas, who are able to charge higher rents because of demand for housing. HUD believes this will allow households that wish to move to areas of greater opportunity to be able to do so with the amount of subsidy they receive, while reducing existing overpayments of rent in ZIP codes where FMR is below the metropolitan average.

HUD recognizes that this may place strain on households that cannot move out of areas of concentrated poverty and that are consequently having their HCVs reduced, such as elderly households or those with disabled members. It suggests that PHAs may compensate in these instances by increasing payment standards for disabled individuals as “reasonable accommodations” for their disabilities. HUD also notes that households that will receive smaller HCVs will have a 13 to 24 month advanced notice of the reduction, and can plan accordingly.