

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-5430-N- 02]

**Final Fair Market Rents for Fiscal Year 2011 for the Housing
Choice Voucher Program and Moderate Rehabilitation
Single Room Occupancy Program**

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

ACTION: Notice of Final Fair Market Rents (FMRs) for Fiscal Year (FY) 2011.

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 program, to determine initial renewal rents for some expiring project-based Section 8 contracts, to determine initial rents for housing assistance payment (HAP) contracts in the Moderate Rehabilitation Single Room Occupancy program (Mod Rehab), and to serve as rent ceilings in the HOME program. Today's notice provides final FY 2011 FMRs for all areas that reflect the estimated 40th and 50th percentile rent levels trended to April 1, 2011. The FY 2011 FMRs are based on 2000 Census data updated with more current survey data. For FY 2011, FY 2010 FMRs are updated using 2008 American Community Survey (ACS) data, and Consumer Price Index (CPI) rent and utility indexes through the year end of 2009. HUD continues to use ACS data in different ways according to how many two-bedroom standard-quality and recent-mover sample cases are available in the FMR area or its Core-Based Statistical Area (CBSA). As proposed in the August 4, 2010, notice (75 FR 46958), this notice establishes FY 2011 Small Area FMRs for the Housing Choice Voucher program in the Dallas, TX HUD Metropolitan FMR Area (HMFA). All Public Housing Authorities (PHAs) operating

in the 8-county HMFA must use the Small Area FMRs from Schedule B Addendum (listed by county and ZIP code) for the voucher program. All other programs that use FMRs will continue to use area-wide FMRs shown in Schedule B for Dallas, TX HMFA.

DATES: *Effective Date:* The FMRs published in this notice are effective on October 1, 2010.

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 at the following link on the HUD website: <http://www.huduser.org/datasets/fmr.html>. FMRs are listed at the 40th or 50th percentile in Schedule B. An asterisk before the FMR area name identifies a 50th percentile area. Any 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 or further methodological explanations may be addressed to Marie L. Lihn or Mark Stanton, Economic and Market Analysis Division, Office of Economic Affairs, Office of Policy Development and Research, telephone number (202) 708-0590. Persons with hearing or speech impairments may access this number through TTY by calling the toll-free Federal Information Relay Service at (800) 877-8339. (Other than the HUD USER information line and TTY numbers, telephone numbers are not toll-free.)

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 areas. In the Housing Choice Voucher 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. In addition, all rents subsidized under the Housing Choice Voucher program must meet reasonable rent standards. The interim rule published on October 2, 2000 (65 FR 58870), established 50th percentile FMRs for certain areas.

Electronic Data Availability: This Federal Register notice is available electronically from the HUD website at <http://www.hudclips.org>. Federal Register notices also are available electronically from the U.S. Government Printing Office website, <http://www.gpoaccess.gov/fr/index.html>. Complete documentation of the methodology and data used to compute each area’s Final FY 2011 FMRs is available at <http://www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr11>.

II. Procedures for the Development of FMRs

Section 8(c) of the USHA requires the Secretary of HUD to publish FMRs periodically, but not less frequently than annually. Section 8(c) states in part, as follows:

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 this section.

The Department'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. Areas that currently have 50th percentile FMRs are evaluated for progress in voucher tenant deconcentration after three years in the program. Continued eligibility is determined using HUD administrative data that show levels of voucher tenant concentration. The levels of voucher holder concentration must be above 25 percent and show a decrease in concentration since the last evaluation. At least 85 percent of the voucher units in the area must be used to make this determination. For FY 2011, there were 17 areas that were designated as 50th percentile areas. None of the current 50th percentile FMR areas were evaluated this year because they have not completed three years of program participation. As listed below, 10 areas complete their three-year program period and will be evaluated to determine if they remain 50th percentile FMR areas in the proposed FY 2012 FMR publication.

FY 2010 50th-Percentile FMR Areas Not Slated for Eligibility Evaluation Until FY 2012 FMRs	
Albuquerque, NM MSA	North Point-Bradenton-Sarasota, FL MSA
Chicago-Naperville-Joliet, IL HMFA	Denver-Aurora, CO MSA
Hartford-West Hartford-East Hartford, CT HMFA	Houston-Baytown-Sugar Land, TX HMFA
Kansas City, MO-KS, HMFA	Milwaukee-Waukesha-West Allis, WI MSA

Richmond, VA HMFA	Tacoma, WA HMFA
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An additional seven current 50th percentile FMR areas complete their three-year program period and will be evaluated to determine if they remain 50th percentile FMR areas in the proposed FY 2013 FMR, as shown below.

FY 2010 50th-Percentile FMR Areas Not Slated for Eligibility Evaluation Until FY 2013 FMRs	
Baltimore-Towson, MD MSA	Fort Lauderdale, FL HMFA
Grand Rapids-Wyoming, MI HMFA	New Haven-Meriden, CT HMFA
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA	Washington-Arlington-Alexandria, DC-VA-MD HMFA
West Palm Beach-Boca Raton, FL HMFA	

As noted in the publication of proposed FY 2011 FMRs, an additional area qualified for 50th percentile FMRs and will be eligible for review with the proposed FY 2014 FMRs. This area is Bergen-Passaic, NJ HMFA.

III. Proposed FY 2011 FMRs

On August 4, 2010 (75 FR 46958), HUD published proposed FY 2011 FMRs. As noted in the preamble to the proposed FMRs, the FMRs for FY 2011 reflect the use of both one- year and three-year 2008 ACS data to update June 2007 rent estimates for each area. In addition, the FY 2011 FMRs include all changes made to metropolitan area definitions made by the Office of Management and Budget (OMB) as of December 2009.

During the comment period, which ended September 3, 2010, HUD received 16 public comments on the proposed FY 2011 FMRs. None of the comments HUD received included the data needed to support FMR changes. Several of these comments expressed that proposed FY

2011 FMRs are incorrect for their respective market areas. One commenter noted an inconsistency in the methodology that is corrected and discussed in the following methodology section. The rest of the comments received are discussed in more detail later in this notice.

IV. FMR Methodology

The FY 2011 FMRs are based on current OMB metropolitan area definitions that were first used in the FY 2006 FMRs. The changes OMB made to the Metropolitan Area Definitions in December 2009 are incorporated. As of December 2009, there was a change in the principal cities of three metropolitan areas that resulted in a code change. These three metropolitan areas are: North Port-Bradenton-Sarasota, FL MSA, Crestview-Fort Walton Beach-Destin, FL MSA, and Steubenville-Weirton, OH-WV MSA. In Alaska, there was a name change for a nonmetropolitan borough, from Prince of Wales-Ketchikan Census Area, AK to Prince of Wales-Hyder Census Area, AK; and two other Alaskan boroughs were divided, from Skagway-Hoonah-Angoon to Skagway and Hoonah-Angoon boroughs; and from Wrangell-Petersburg to Wrangell and Petersburg boroughs. The area definitions based on 2000 Census data have the advantages of providing more relevant commuting interchange standards, and more current measures of housing market relationships than those based on 1990 Census data and used prior to the FY 2006 FMRs.

At HUD's request, the Census Bureau prepared a special publicly releasable census file that permits almost exact replication of HUD's 2000 Census Base Rent calculations, except for areas with few rental units. This data set is located on HUD's HUD USER website at <http://www.huduser.org/datasets/fmr/CensusRentData/>.

A. Data Sources – 2000 Census and American Community Survey

As in all post-FY 2006 FMR publications, FY 2011 FMRs start with base rents generated using Census 2000 long form survey data. They are updated with American Community Survey (ACS) data and Bureau of Labor Statistics Consumer Price Index (CPI) data. FY 2011 FMRs are FY 2010 FMRs updated by replacing the CPI data used for FY 2010 FMRs with ACS 2008 survey data and updated with CPI data through the end of 2009. Specifically, the FY 2010 rent (as of date: April, 2010) is deflated to June 2007 by dividing it by 18 months of CPI data representing June 2007 through December 2008 inflation, and the usual 15 month trend factor. This June 2007 rent is the best and most recent rent estimate available using only ACS survey and eliminating all other update data. It is this rent that is updated with additional ACS data and new CPI data.

In order to preserve additional information gathered by HUD through random digit dialing (RDD) surveys, areas surveyed after June 2008 are updated separately, the details of which can be found at the website listed above.

B. Updates from 2007 to 2008 – 2008 ACS

ACS survey data continues to be applied to areas based on the type of area (CBSA, metropolitan subarea, or non-metropolitan county), the amount of survey data available, and the reliability of the survey estimates. Both one- and three-year ACS 2008 data are used to update June 2007 rents. HUD considered using the change in the three-year 2005-2007 ACS to three-year 2006-2008 ACS in place of the change from 2007 one-year ACS to 2008 one-year ACS, but the nature of the 3 year data mutes the effects of the more recent data, which HUD finds more important for achieving the objectives of the HCV program. Consequently, HUD calculates update factors using the change in ACS one-year data from 2007 to 2008. Beginning with the

FY 2010 FMRs, HUD tests these rent changes for statistical significance¹ before applying them to the appropriate base rent. Any state- or metropolitan-level change that is not statistically significant is not applied. That is, the updated 2008 rent is the same as the 2007 rent if the applicable update factor does not represent a statistically significant change. HUD applied this test as a measure to minimize fluctuations in rents due to survey error. Metropolitan level rent changes are used for CBSA areas and subareas that have more than 200 standard quality cases in 2007 and 2008. All other areas are updated with state level rent changes. For subareas, State and CBSA change factors continue to be selected based on which factor brings the subarea rent closer to the CBSA-wide rent. Subareas which have 200 or more local standard quality survey observations are updated with their local area update factor.

The error measurement test and ACS-based update factor is revised from the proposed FY 2011 FMRs, in response to a comment. The commenter noted that using a z-test that compared the 2008 rent to the 2007 rent was not logical for areas where the 2007 ACS rent was never used in the update, or where the z-test last year (evaluating the change from 2006 to the 2007 ACS rent) was not statistically significant and HUD applied an ACS update factor of one. To correct this oversight, HUD revised the FMR estimation process for areas where there was no statistically significant difference between the 2006 and the 2007 ACS rent result, where the ACS update equaled one. The z-test for these areas would be applied to the difference in the rent and error measurement for 2006 compared with 2008 ACS, rather than a comparison of 2007 to 2008 ACS.

After all areas have been updated with a standard quality median rent change, local areas with estimates that reflect more than 200 one-year recent mover cases are evaluated further. If

¹ The change is considered statistically significant if $Z > 1.645$ where $Z = \frac{EST_1 - EST_2}{\sqrt{(SE_1^2 + SE_2^2)}}$ and $EST_1 =$ ACS 2008 Estimate, $EST_2 =$ ACS 2007 Estimate (or ACS 2006 Estimate when the change from 2006-2007=1), $SE_1 =$ Standard Error of Estimate 1 and $SE_2 =$ Standard Error of Estimate 2.

the updated rent is outside the confidence interval of the ACS recent mover estimate, the updated rent is replaced with the ACS recent mover rent estimate. In areas without 200 or more one-year ACS recent mover observations, but with 200 or more three-year ACS recent mover observations, the three year estimate² is used if it is statistically different from the updated 2008 rent based on the standard quality median rent change. This process creates a June 2008 rent.

C. Updates from 2008 to 2009

ACS 2008 data updates the June 2007 rents used in the FY 2010 FMRs forward by 12 months to June 2008. HUD uses six months of 2008 and 12 months of 2009 CPI rent and utilities price index data to update the June 2008 rents to the end of 2009. HUD uses local CPI data for FMR areas with at least 75 percent of their population within Class A metropolitan areas covered by local CPI data. HUD uses CPI data aggregated to Census regions for FMR areas in Class B and C size metropolitan areas and nonmetropolitan areas without local CPI update factors.

D. Updates from 2009 to 2011

HUD applies the national 1990 to 2000 average annual rent increase trend of 1.03 to end-of-2009 rents for 15 months, to derive the proposed FY 2011 FMRs. HUD will publish an additional Federal Register notice this fall requesting alternatives to the use of this long-term historical trend factor. HUD is considering alternatives for trend factors that include historical average annual trend factors based on shorter time periods and trends based on projections linked to other government forecasts.

² The recent mover estimate from the three year data includes all those who moved in the most recent 24 month period. That means that no 2006 survey data are included in this three-year recent mover classification and the likelihood of having a valid (with 200 or more cases) three-year recent mover rent is lower for these estimates.

The area-specific data and computations used to calculate proposed FY 2011 FMRs and FMR area definitions can be found at

<http://www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr11>.

E. Large Bedroom Rents

HUD's principal FMR estimate is for two-bedroom units. This generally is the most common size of rental units, and therefore the most reliable to survey and analyze. After each decennial census, HUD calculates rent relationships between two-bedroom units and other unit sizes and uses these relationships to set FMRs for other units. This is done because it is much easier to update two-bedroom estimates and to use pre-established cost relationships with other bedroom sizes than it is to develop independent FMR estimates for each bedroom size. This was last done using 2000 Census data. A publicly releasable version of the data file used that permits derivations of rent ratios is available at

<http://www.huduser.org/datasets/fmr/CensusRentData/index.html>. Rent ratio derivations are also shown in the FMR documentation system at

<http://www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr11>.

The rents for three-bedroom and larger units continue to reflect HUD's policy to set higher rents for these units than would result from using normal market rents. 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 bonuses of 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.

A further adjustment was made using 2000 Census data in establishing rent ratios for areas with local bedroom-size intervals above or below what are considered to be reasonable ranges or where sample sizes are inadequate to accurately measure bedroom rent differentials. HUD's experience has shown that highly unusual bedroom ratios typically reflect inadequate sample sizes or peculiar local circumstances that HUD would not want to utilize in setting FMRs (e.g., large numbers of luxury efficiency apartments that rent for more than typical one-bedroom units). Bedroom interval ranges were established 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 0.65 and 0.83 of the two-bedroom FMR; one-bedroom FMRs must be between 0.76 and 0.90 of the two-bedroom FMR; three-bedroom FMRs must be between 1.10 and 1.34 of the two-bedroom FMR; and four-bedroom FMRs must be between 1.14 and 1.63 of the two-bedroom FMR. Bedroom rents for a given FMR area were then adjusted if the differentials between bedroom-size FMRs were inconsistent with normally observed patterns (i.e., efficiency rents were not allowed to be higher than one-bedroom rents and four-bedroom rents were not allowed to be lower than three-bedroom rents).

For low-population, nonmetropolitan counties with small census recent-mover rent samples, HUD uses census-defined county group data in determining rents for each bedroom size. This adjustment was made to protect against unrealistically high or low FMRs due to insufficient sample sizes. The areas covered by this estimation method had less than the HUD standard of 200 two-bedroom census-tabulated observations.

V. Public Comments

A total of 16 public comments were received on the proposed FY 2011 FMRs. Seven of the comments filed concerned the 4.1 percent decline in FMRs for the Pittsburgh, PA HUD Metro FMR Area. According to the commenters, within the city there are high vacancy rates, high abandonment and condemnation rates and high percentages of substandard housing in the older, denser communities. A 2004 study of the city determined that 70 percent to 90 percent of the housing stock is considered below average in certain districts of the city, which is a major factor in the affordability of the City's housing market. The market for voucher holders is further constrained by refusal by landlords to accept vouchers and the changing nature of neighborhoods of choice. As a solution to this problem, it was suggested HUD institute a hold-harmless policy for FMRs; that is the FY 2011 FMRs should not be allowed to decline, but should be left at the higher level from FY 2010, at a minimum. It was also suggested that the FMR area be split into smaller areas to produce more accurate results. HUD will not institute a hold-harmless for Pittsburgh or any other FMR area. The FY 2011 FMR for the Pittsburgh, PA HUD Metro FMR Area is calculated using the most recent data available, based on local surveys from both the ACS and CPI. If smaller areas will help Public Housing Agencies (PHAs) operating the Housing Choice Voucher program within the city manage the program, these PHAs should consider applying for participation in HUD's small area FMR demonstration project. Information on the structure of the demonstration project and instructions for application will be announced in early 2011 by publication of a Federal Register notice.

A commenter in the Washington-Arlington-Alexandria, DC-VA-MD HUD Metro FMR Area also requested a hold harmless policy be instituted to prevent declines in FMRs. Even under the small area FMR demonstration project, FMRs will be allowed to decline from year to

year. Small area FMRs used in the demonstration project will continue to include a rent floor (based on the state minimum as is currently in place); however, the methodology for calculating the current year metropolitan area rent has not been proposed to be changed from the current methodology.

There were several comments filed addressing the small area FMR demonstration project and much confusion about HUD's failure to respond to the comments filed with respect to the May 18, 2010 Federal Register notice (75 FR 27808). Comments on small area FMRs were received from the Montgomery County Housing Authority of Norristown, PA; the Public Housing Authorities Directors Association, and, in part, the National Association of Home Builders. Internally, all of the comments to the small area FMR demonstration project notice have been discussed and a notice with this discussion and decisions and further details on the program will be published in early 2011. Including a general discussion of the comments filed in response to the May 18, 2010 notice in this notice finalizing FY 2011 FMRs is likely to exacerbate the confusion. For this reason, the small area FMR methodology section is not included in this Notice, though it is unchanged from the proposed FY 2011 FMR publication for the Dallas, TX HUD Metro FMR Area, and may be accessed at

http://www.huduser.org/portal/datasets/fmr/fmr2011p/Preamble_FY2011P_FMRs.pdf.

One commenter noticed that the Small Area FMRs for Dallas did not incorporate the 10 dollar rounding protocol identified in the methodology and posted in the website. This has been corrected in this publication, so that the published Small Area FMRs that will be used for the voucher program in Dallas, TX HMFA beginning on October 1, 2010 show a 10 dollar rounding protocol instead of an earlier proposed 25 dollar protocol. These Small Area FMRs are provided in the Schedule B Addendum, which lists the FMRs by county and ZIP code. All PHAs

operating in the Dallas must use these Small Area FMRs for the Housing Choice Voucher program. The area-wide FMRs for the Dallas, TX HMFA, listed in Schedule B, continue to be used for all other programs.

Another commenter questioned how the demonstration project could be considered voluntary, when it is not so for Dallas. While all other participation in the demonstration project will be voluntary and will not begin until early 2011 after discussion of all comments and further description of the program, the Dallas demonstration project and its timing reflects a court settlement between HUD and the Inclusive Communities Project, Inc. and the timing cannot be changed, nor can other aspects of the program. Therefore, the demonstration project being conducted in the Dallas, TX HUD Metropolitan FMR Area may differ in other ways (other than the start date) from what is decided for voluntary participants of the demonstration project.

The National Association of Housing and Redevelopment Officials (NAHRO) discusses eight issues in its comments to the FY 2011 FMRs, although most are reiterations of positions that NARO has expressed consistently since the publication of the FY 2006 FMRs. Foremost among those concerns is the use by HUD of metropolitan area definitions based on 2000 Census data as opposed to the area definitions from FY 2005 FMRs based on 1990 data. HUD modified the metropolitan area definitions based on rent and income relationships comparing old (FY 2005) FMR areas to new FMR areas, but NAHRO specifically opposes the inclusion of formerly nonmetropolitan counties into metropolitan areas. Under HUD's current methodology for calculating FMRs and median family income estimates, these non-metropolitan subareas would be given their own FMR and designated a HUD Metro FMR Area (HMFA) if either their rent or income was more than five percent different from the rent or income of the new area and there is sufficient Census data available to provide statistically reliable rent and income estimates. For

the former nonmetropolitan counties that did not have enough data to make this comparison, HUD determined it could not dilute the FMR for the metropolitan area. Overall, HUD does not agree with the premise of the argument, that metropolitan FMR areas have been diluted by the change in the area definitions. Furthermore, NAHRO's argument does not allow for the growth and change of metropolitan areas over time. Moreover, unlike in past years where FMR base-year data was updated every 10 years with the decennial census, FMRs are updated with ACS data annually, and can be rebenchmarked using ACS data if enough recent mover observations exist for the area. ACS data is aggregated using the new area definitions. The fewer changes HUD has to these definitions, the more transparent the FMR calculation process, since it is not dependent on special tabulation of data.

The request by NAHRO to re-institute the 10 regional surveys of metropolitan and nonmetropolitan areas used for the Annual Adjustment Factors (AAFs) and the FMRs is also being denied. These 20 factors were based on longitudinal surveys from around FY 1996 to FY 2005. HUD determined, through analysis of 2000 Census data, that these 20 surveys did not improve estimates of rent changes, so HUD reverted to using CPI rent and utility surveys for the 4 Census regions. The CPI data provided better results while saving the Department the cost of the 20 surveys. Based on the analysis of the 2000 Census data, HUD concluded there was a valid statistical reason for the elimination of the 20 regional surveys. The regional AAFs are also based on the same data (CPI for rent and utilities – aggregated to the 4 Census Regions) that is used for the local AAFs.

NAHRO request that HUD publish the utility component of FMRs. HUD cannot do this because, as discussed in the methodology and emphasized here, HUD establishes FMRs based on gross rent data from the census. HUD does not collect utility data to update the FMRs. The

base FMR and the ACS updates are generated using data collected on a gross rent basis. Only the CPI update is split between rent and utilities and this split, as discussed in the methodology, uses the percentage of those who pay for heat (again not utility data) to determine the percentage of utilities in the gross rent to apply the CPI utility index. HUD does not collect utility data and therefore cannot provide it.

Several of NAHRO's issues concern the adjustment for housing quality standards and suggestions for improvement of this determination for the FMRs. HUD is also concerned with adjustments for housing quality standards and will continue to evaluate this issue. At this time, however, no changes will be made.

NAHRO requests changes to the re-qualification process for 50th percentile FMRs including an automatic extension for areas that lose 50th percentile status and an unspecified change in the criteria used to evaluate the program. The automatic extension goes against the intent of the program, which is only available to a select number of areas, and any changes would require a rulemaking process. At this point HUD is focusing its efforts to expand opportunities to voucher holders through small area FMRs rather than changes to the 50th percentile FMR program.

The request for data to determine the median rent method (which HUD would not have to provide if the 2000 Census metropolitan area definitions were not modified since this data would be available through the Census Bureau's American Factfinder) has been available internally for some time. This is now posted on our website at

<http://www.huduser.org/portal/datasets/fmr.html>.

NAHRO also comments on random digit dialing surveys (RDDs), in terms of the limited time to conduct them and the current methodology. HUD will accept RDDs conducted by areas

and make revisions at any time during the fiscal year. Currently, HUD is conducting several RDDs and plans a revised Final FY2011 FMR notice following the completion of the surveys and processing of the data. Additionally, HUD is investigating ways of revising its survey methodology to include other less expensive ways to collect rent data, under a contract that will begin early next year. HUD's current survey methodology collects recent mover rents to determine if adjustments to FMRs are needed. The recent mover period has ranged from as little as 6 months to 24 months depending on the economic climate of the survey area. The fifteen-month designation for recent mover rents is the definition used in the decennial census. Under the ACS, however, the recent mover rent is a 24-month period and this is what is used most often in current RDD surveys. The current random digit dialing methodology collects enough recent-mover rents in an area to provide a statistically significant rent, which is generally 200 cases, though the results of the survey are compared to the current FMR to determine if a statistically significant difference exists. If so, the RDD survey result replaces the current FMR. Rents for stayers are also collected for purposes of comparison and further validity tests of the survey data.

A comment from Minot, ND states that this area continues to struggle with a very tight rental market, despite the increased FMRs provided from a RDD survey conducted by HUD last year. Rents continue to increase at a rapid rate. Another informal comment from Williams County, ND also shows significant rental increases. The causes of these increases are somewhat the same, and are attributed to increased jobs in oil and gas exploration, although in Minot, the Air Force base is also expanding, with estimated growth in personnel of 900 to 1000. Small and rapidly changing markets, such as these, for which the ACS provides less timely data do require rent surveys, but it may be worthwhile for Minot to partner with Williams and other counties in the area to conduct a joint survey. Local agencies can conduct surveys at substantially less cost

than HUD. Under HUD's current procedures, the timing of Minot's survey is crucial. Surveys are too expensive, even if conducted by small agencies, to be administered annually. The full extent of the expansion of the Air Force base cannot be measured until at least 6 months after it has occurred, and then the survey must limit the definition of recent movers as those moved in the past 6 months. HUD will contact Minot and Williams County to determine how and when to proceed with collecting updated rent information.

The Oklahoma City Housing Authority commented that the proposed increase in FMRs for the Oklahoma City, OK MSA is appropriate.

A comment filed by the National Association of Home Builders (NAHB) requested that HUD institute a floor to prevent any FY 2011 FMRs from declining by more than five percent, or else conduct RDD surveys of these areas. HUD considers it an inappropriate use of scarce resources to survey all areas that have FMR declines of more than 5 percent. In order to be effective, FMRs must follow the market, both up and down, in accordance with the most recent data available. HUD has attempted to mitigate the impact of annual changes, with the implementation of statistical significance testing for changes measured in annual ACS data, but HUD is committed to allowing changing market conditions to be reflected in the FMRs.

VI. Manufactured Home Space Surveys

The FMR used to establish payment standard amounts for the rental of manufactured home spaces in the Housing Choice Voucher 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. For FY 2011, HUD received no comments or data concerning manufactured home space rents.

All approved exceptions to these rents that were in effect in FY 2010 were updated to FY 2011 using the same data used to estimate the Housing Choice Voucher program FMRs if the respective FMR area's definition remained the same. If the result of this computation was higher than 40 percent of the re-benchmarked 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. Areas with definitional changes that previously had exceptions to their manufactured housing space rental FMRs are requested to submit new surveys to justify higher-than-standard space rental FMRs if they believe higher space rental allowances are needed.

VII. HUD Rental Housing Survey Guides

For the supporting data, HUD recommends the use of professionally conducted RDD telephone surveys to test the accuracy of FMRs for areas where there is a sufficient number of Section 8 units to justify the survey cost of approximately \$35,000. Areas with 2,000 or more program units usually meet this cost criterion, and areas with fewer units may meet it if actual rents for two-bedroom units are significantly different from the FMRs proposed by HUD. In addition, HUD has developed a version of the RDD survey methodology for smaller, nonmetropolitan PHAs. This methodology is designed to be simple enough to be done by the PHA itself, rather than by professional survey organizations, at a cost of \$5,000 or less.

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 will 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 above the combined rent level.

PHAs that plan to use the RDD survey technique should obtain a copy of the appropriate survey guide. Larger PHAs should request HUD's survey guide entitled "Random Digit Dialing Surveys; A Guide to Assist Larger Public Housing Agencies in Preparing Fair Market Rent Comments." Smaller PHAs should obtain the guide entitled "Rental Housing Surveys: A Guide to Assist Smaller Public Housing Agencies in Preparing Fair Market Rent Comments." These guides, in Microsoft Word format, are available from HUD USER at HUD's website at the following address: <http://www.huduser.org/datasets/fmr.html>.

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. 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 decennial census should be used as a means of verifying if a sample is representative of the FMR area's rental housing stock.

Most surveys of FMR areas cover only one- and two-bedroom units. If the survey is statistically acceptable, HUD will estimate FMRs for other bedroom sizes using ratios based on the decennial census. 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.

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.

VIII. 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 amended as follows:

Dated: September 24, 2010

/s/
Raphael W. Bostic, Ph.D.
Assistant Secretary for Policy
Development and Research

[FR-5328-N-02]

Fair Market Rents for the Housing Choice Voucher Program

Schedules B and D--General Explanatory Notes

1. Geographic Coverage

a. **Metropolitan Areas**--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. The FY 2011 FMRs reflect a change in metropolitan area definitions. HUD is using the metropolitan Core Based Statistical Areas (CBSA), which are made up of one or more counties, as defined by the 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 2011 FMRs incorporates the current OMB definitions of metropolitan areas based on the CBSA standards as implemented with 2000 Census data, but makes adjustments to the definitions to separate subparts of these areas where FMRs or median incomes would otherwise change significantly if the new area definitions were used without modification. In CBSAs where sub-areas are established, it is HUD's view that the geographic extent of the housing markets are not yet the same as the geographic extent of the CBSAs, but may become so in the future as the social and economic integration of the CBSA component areas increases. Modifications to metropolitan CBSA definitions are made according to a formula as described below.

Metropolitan area CBSAs (referred to as Metropolitan Statistical Areas or MSAs) may be modified to allow for sub-area FMRs within MSAs based on the boundaries of old FMR areas (OFAs) within the boundaries of new MSAs. (OFAs are the FMR areas defined for the FY2005 FMRs. Collectively, they include 1999 definition MSAs/PMSAs, metropolitan counties deleted

from 1999 definition MSAs/PMSAs by HUD for FMR purposes, and counties and county parts outside of 1999 definition MSAs/PMSAs referred to as nonmetropolitan counties.) Sub-areas of MSAs are assigned their own FMRs when the sub-area 2000 Census Base Rent differs by at least 5 percent from the MSA 2000 Census Base Rent (i.e., by at most 95 percent or at least 105 percent), or when the 2000 Census Median Family Income for the sub-area differs by at least 5 percent from the MSA 2000 Census Median Family Income. MSA sub-areas, and the remaining portions of MSAs after sub-areas have been determined, are referred to as HUD Metro FMR Areas (HMFAs) to distinguish these areas from OMB's official definition of MSAs.

The specific counties and New England towns and cities within each state in MSAs and HMFAs are listed in Schedule B.

2. Bedroom Size Adjustments

Schedule B shows the FMRs for zero-bedroom through four-bedroom units. 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 rents for manufactured home spaces FMRs are listed alphabetically in Schedule D.

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 nonmetropolitan county listings.