



# Federal Register

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**Part IV**

**Department of  
Housing and Urban  
Development**

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**Fair Market Rents for the Housing Choice  
Voucher Program and Moderate  
Rehabilitation Single Room Occupancy  
Program Fiscal Year 2004; Notice**

**DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT**

[Docket No. FR-4852-N-02]

**Fair Market Rents for the Housing  
Choice Voucher Program and  
Moderate Rehabilitation Single Room  
Occupancy Program Fiscal Year 2004**

**AGENCY:** Office of the Secretary, HUD.

**ACTION:** Notice of Final Fiscal Year (FY) 2004 Fair Market Rents (FMRs).

**SUMMARY:** Section 8(c)(1) of the United States Housing Act of 1937 requires the Secretary to publish FMRs annually to be effective on October 1 of each year. FMRs are used to determine payment standard amounts for the Housing Choice Voucher program, to determine initial renewal rents for some expiring project-based Section 8 contracts, and to determine initial rents for housing assistance payments (HAP) contracts in the Moderate Rehabilitation Single Room Occupancy program. Other programs may require use of FMRs for other purposes. Today's notice provides final FY 2004 FMRs for all areas that reflect the estimated 40th and 50th percentile rent levels trended to April 1, 2004.

**EFFECTIVE DATE:** The FMRs published in this notice are effective on October 1, 2003.

**FOR FURTHER INFORMATION CONTACT:**

Gerald Benoit, Director, Housing Voucher Management and Operations Division, Office of Public Housing and Voucher Programs, telephone (202) 708-0477, responsible for decisions on how fair market rents are used; or John Garrity, Director, Office of Special Needs Assistance Programs, telephone (202) 708-4300, responsible for administration of the Mod Rehab Single Room Occupancy program. For technical information on the methodology used to develop fair market rents or a listing of all fair market rents, please call HUD USER at 1-800-245-2691 or access the information on the HUD Web site, <http://www.huduser.org/datasets/fmr.html>. Further questions on the methodology may be addressed to Marie L. Lihn, Economic and Market Analysis Division, Office of Economic Affairs, telephone (202) 708-0590, (e-mail: [marie\\_l\\_lihn@hud.gov](mailto:marie_l_lihn@hud.gov)). Hearing- or speech-impaired persons may use the Telecommunications Device for the Deaf (TTY) at 1-800-927-7589. (Other than the "800" HUD User and TTY numbers, telephone numbers are not toll-free.)

**SUPPLEMENTARY INFORMATION:** Section 8 of the United States Housing Act of 1937 (the Act) (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 used to determine 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.

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**How HUD Sets FMRs**

*HUD Standard for Setting the FMR*

FMRs are gross rent estimates that include both shelter rent paid by the tenant to the landlord, and the cost of tenant-paid utilities, except telephones. HUD sets FMRs to assure that a sufficient supply of rental housing is available to program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units in neighborhoods and low enough to serve as many families as possible.

FMRs are set at a percentile within the rent distribution of standard quality rental housing units in each FMR area (see 24 CFR 888.113). FMRs are based on the distribution of rents for units that are occupied by recent movers "renter households who moved into their units within the past 15 months. The distribution does not include rents for units less than two years old or for public housing units. Rents for subsidized housing units are adjusted by adding back the amount of the subsidy.

HUD sets FMRs either at the 40th percentile rent or at the 50th percentile rent. For most FMR areas, the FMR is set at the 40th percentile rent paid by recent movers, which means that 40 percent of all standard quality rental housing units rented within the past 18 months have rents at or below this dollar amount. For some FMR areas, the FMR is set at the 50th percentile rent or the median rent, so that 50 percent of standard units are at or below this dollar amount. An asterisk in Schedule B

identifies each of the 39 FMR areas for which HUD set 50th percentile FMRs.

**Data Sources**

HUD has used the most accurate and current data available to develop the FMR estimates. The sources of survey data used for the base-year estimates are:

(1) The 1990 Census, which provides statistically reliable rent data for all FMR areas;

(2) Bureau of the Census' American Housing Surveys (AHS) conducted after 1990, which are done for the largest metropolitan areas and which have an accuracy comparable to the decennial Census;

(3) Random Digit Dialing (RDD) telephone surveys of individual FMR areas, which are based on a sampling procedure that uses computers to select statistically random samples of rental housing; and

(4) Data from the 2000 Census were used for a small number of metropolitan areas that had submitted public comments requesting higher FMRs and where 2000 Census data showed FMRs were significantly understated. [Please note that the special 2000 Census tabulations needed to develop FMR estimates were not available when proposed FY 2004 FMRs were released. In addition, the new OMB metropolitan area definitions that will determine how FMR areas are defined had not been released when proposed FMRs needed to be published. A number of analytical issues related to using the 2000 Census rent data are still being studied and need to be resolved prior to implementing the new definitions and data. A set of revised proposed FMRs for FY 2004 based on 2000 Census data and new area definitions will be published for public comment in late 2003 or early 2004.]

The base-year FMRs are updated using trending factors based on Consumer Price Index (CPI) data for rents and utilities or on HUD regional rent change factors developed from regional RDD surveys. Area-specific annual average CPI data are available for 99 metropolitan FMR areas. RDD regional rent change factors are developed annually for the metropolitan and nonmetropolitan parts of each of the 10 HUD regions. The RDD factors are used to update the base year estimates for all FMR areas that do not have their own local CPI survey.

**State Minimum FMRs**

Some FMR areas have market rents that are at or below long-term operating costs. In addition, research has shown that areas with unusually low Census-

reported rents, especially nonmetropolitan areas with unusually low rents, often have unusually high levels of substandard housing and/or assisted housing that distort FMR estimates. To reduce problems associated with FMR estimates for these areas, HUD has a policy of setting a minimum FMR level for each state. FMRs are established at the higher of the local 40th percentile rent level or a state minimum FMR that is equal to the statewide 40th percentile rent for nonmetropolitan counties. The state minimum also affects a small number of metropolitan areas whose rents would otherwise fall below the state minimum.

#### Bedroom Size Adjustments

FMR estimates are calculated for two-bedroom units, which are the most common rental units. Rent relationships for units with differing numbers of bedrooms are then used to set FMRs of other bedroom sizes. Bedroom rent intervals are normally based on 1990 Census data rent interval relationships for FMR areas. In FMR areas where FMRs are based on the state minimums, the FMR for each bedroom size category is set at the higher of the 40th percentile rent for the FMR area or for the statewide average for nonmetropolitan counties.

There are some areas where the bedroom intervals were adjusted because the rent intervals between bedroom sizes were above or below an acceptable range (e.g., areas where efficiencies are typically furnished, luxury units with rents higher than typical one-bedroom rents). The acceptable range for intervals between bedroom intervals was based on an examination of unusually high and low bedroom rent ratio intervals for all metropolitan areas. Areas where the intervals were outside the normal range were increased or decreased to bring them back within the range. Higher ratios continue to be used for 3-bedroom and larger size units than would result from using the actual market relationships. This is done to assist the largest, most difficult to house families in finding program-eligible units. The FMRs for unit sizes larger than 4-bedroom are calculated by adding 15 percent to the 4-bedroom FMR for each extra bedroom. For example, the FMR for a 5-bedroom unit is 1.15 times the 4-bedroom FMR, and the FMR for a 6-bedroom unit is 1.30 times the 4-bedroom FMR. FMRs for single room occupancy (SRO) units are 0.75 times the 0-bedroom FMR.

#### Public Comments

In response to the May 27, 2003, proposed FMRs, HUD received 15 public comments covering 21 FMR areas. Rental housing survey information of some form was provided for five of those FMR areas. All survey information submitted was evaluated. Based on that review, the FMRs for four FMR areas are being increased, and the manufactured housing FMRs for five non-metropolitan counties in West Virginia are being increased. The information submitted for the other FMR areas was not considered sufficient to provide a basis for revising the FMRs.

Most comments stated that the proposed FMRs were too low. Some (Delaware State Housing Authority, Knox County Housing Authority, and Pinnacle Housing Group) noted that their utility and rental costs increased significantly over the past year, compared to the modest increases granted in the proposed FMRs. Others (Assumption Parish Housing and Community Development, state of Hawaii, city and county of Honolulu, county of Hawaii, and the Housing Authority of the city of Corsicana, TX) noted tighter rental market conditions over the past year have increased rents significantly. Oklahoma City Housing Authority protested the proposed decrease in its FMRs resulting from a random digit dialing survey done last year. The Housing Authority of the county of Los Angeles argued that all FMRs should be set at the 50th percentile rent for all FMR areas, rather than just the select 39 metropolitan areas.

Two comments were received from Puerto Rico. One from the Puerto Rico Housing Finance Authority argued that the methodology HUD uses to calculate FMRs cannot be applied to Puerto Rico. The Housing Finance Authority did not have a proposal for a more accurate methodology but looks forward to developing one with HUD. The second comment, submitted by Hessel and Aluise, PC, was limited to the impact of the proposed FY 2004 FMRs on the Moderate Rehabilitation program. Addressing this comment would require a regulatory change, and this matter is being studied by the Office of Public and Indian Housing.

In previous years, HUD has sought to conduct surveys in areas with significant numbers of Section 8 vouchers where concerns had been expressed about the accuracy of local FMRs. HUD was able to conduct only one RDD survey this calendar year to date. HUD was, however, able to obtain 2000 Census data in time to use to

review FMRs for areas that had submitted comments. These data only recently became available to the Department and are currently being used to develop a method of systemwide rebenchmarking of FMRs. After reviewing all areas that had submitted public comments requesting higher FMRs, HUD identified the following areas as eligible for increases: Miami, FL  
Honolulu, HI  
Assumption Parish, LA  
Navarre County, TX

Based on survey data submitted, higher manufactured housing FMRs were approved for the following areas: Logan County, WV  
McDowell County, WV  
Mercer County, WV  
Mingo County, WV  
Wyoming County, WV

The Housing Authority of the City of Santa Barbara requested an update of its exception rent to equal 146 percent for the southern portion of the county at the FY 2004 FMR. As the housing authority was advised, exception rent requests must be made directly to the Office of Public Housing and will be acted on separately.

#### RDD Surveys

The only RDD survey conducted in 2003 was for the Newburgh, NY-PA PMSA. Based on the results of this survey, no change was made in its FMRs.

#### American Housing Survey

There were no AHS surveys with results that alter proposed FY 2004 FMRs.

#### FMR Area Definition Changes

New OMB metropolitan area definitions came out on June 6, 2003, subsequent to the publication of the proposed FMRs. Given the number and magnitude of definitional change impacts, HUD plans to issue a revised proposed FMR schedule for FY 2004 to provide an opportunity for public comments. Revised FY 2004 FMRs will be developed to include the new metropolitan areas that also make use of the 2000 Census rent data and published late this calendar year or early next year. After the comment period, these FMRs will be published for effect.

#### 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 2-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.

Manufactured home space FMR revisions are published as final FMRs in Schedule D. Once approved, the revised manufactured home space FMRs establish new base year estimates that are updated annually using the same data used to estimate the Housing Choice Voucher program FMRs. The FMR area definitions used for the rental of manufactured home spaces are the same as the area definitions used for the other FMRs.

**HUD Rental Housing Survey Guides**

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 \$20,000–\$30,000. Areas with 500 or more program units usually meet this criterion, and areas with fewer units may meet it if local rents are thought to be significantly different than the FMR proposed by HUD. In addition, HUD has developed a simplified 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.

PHAs in nonmetropolitan areas may, in certain circumstances, do surveys of counties. All grouped county surveys must be approved in advance by HUD. 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 its relationship to the combined rent of the group of FMR areas.

PHAs that plan to use the RDD survey technique may obtain a copy of the appropriate survey guide by calling HUD USER on 1–800–245–2691. Larger PHAs should request “Random Digit Dialing Surveys; A Guide to Assist Larger Housing Agencies in Preparing Fair Market Rent Comments.” Smaller PHAs should obtain “Rental Housing Surveys; A Guide to Assist Smaller Housing Agencies in Preparing Fair Market Rent Comments.” These guides are also available on the Internet at <http://www.huduser.org/datasets/fmr.html>.

HUD prefers, but does not mandate, the use of RDD telephone surveys, or the more traditional method described in

the small PHA survey guide. Other survey methodologies are acceptable if they provide statistically reliable, unbiased estimates of the 40th percentile 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 so as to be statistically representative of the entire rental housing stock of the FMR area. In particular, surveys must include units of 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 starting point and means of verification for determining whether the sample is representative of the FMR area’s rental housing stock. All survey results must be fully documented.

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 is prepared to relax normal sample size requirements.

Accordingly, the Fair Market Rent Schedules, which will not be codified in 24 CFR part 888, are amended as follows:

Dated: September 26, 2003.

**Mel Martinez,**  
*Secretary.*

**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.

HUD uses the OMB Metropolitan Statistical Area (MSA) and Primary Metropolitan Statistical Area (PMSA) definitions. Schedule B FMRs are issued for the metropolitan areas as defined by OMB, with the exceptions discussed in paragraph (b). The OMB-defined metropolitan areas closely correspond to housing market area definitions.

b. Exceptions to OMB Definitions—The exceptions are counties deleted from several large metropolitan areas whose revised OMB metropolitan area definitions were determined by HUD to be larger than the housing market areas. The FMRs for the following counties (shown by the metropolitan area) are calculated separately and are shown in

Schedule B within their respective states under the “Metropolitan FMR Areas” listing:

*Metropolitan Area Counties Assigned County-Based FMRs*

- Chicago, IL  
DeKalb, Grundy, and Kendall Counties
- Cincinnati-Hamilton, OH–KY–IN  
Brown County, Ohio; Gallatin, Grant, and Pendleton Counties in Kentucky; and Ohio County, Indiana
- Dallas, TX  
Henderson County
- Flagstaff, AZ–UT  
Kane County, UT
- New Orleans, LA  
St. James Parish
- Washington, DC–MD–VA–WV  
Berkeley and Jefferson Counties in West Virginia; and Clarke, Culpeper, King George, and Warren Counties in Virginia

c. Nonmetropolitan Area FMRs—FMRs also are established for nonmetropolitan counties and for county equivalents in the United States, for nonmetropolitan parts of counties in the New England states and for FMR areas in Puerto Rico, the Virgin Islands, and the Pacific Islands.

d. Virginia Independent Cities—FMRs for the areas in Virginia shown in the table below were established by combining the Census data for the nonmetropolitan counties with the data for the independent cities that are located within the county borders. Because of space limitations, the FMR listing in Schedule B includes only the name of the nonmetropolitan county. The full definitions of these areas, including the independent cities, are as follows:

**VIRGINIA NONMETROPOLITAN COUNTY FMR AREA AND INDEPENDENT CITIES INCLUDED WITH COUNTY**

County	Cities
Allegheny .....	Covington.
Augusta .....	Staunton and Waynesboro.
Carroll .....	Galax.
Frederick .....	Winchester.
Greensville .....	Emporia.
Henry .....	Martinsville.
Montgomery .....	Radford.
Rockbridge .....	Buena Vista and Lexington.
Rockingham .....	Harrisonburg.
Southampton .....	Franklin.
Wise .....	Norton.

2. Bedroom Size Adjustments

Schedule B shows the FMRs for 0-bedroom through 4-bedroom units. The

FMRs for unit sizes larger than 4 bedrooms are calculated by adding 15 percent to the 4-bedroom FMR for each extra bedroom. For example, the FMR for a 5-bedroom unit is 1.15 times the 4-bedroom FMR, and the FMR for a 6-bedroom unit is 1.30 times the 4-bedroom FMR. FMRs for single-room-occupancy (SRO) units are 0.75 times the 0-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 FMRs for manufactured home spaces in Schedule D are listed alphabetically by state.

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.

d. The New England towns and cities included in a nonmetropolitan part of a county are listed immediately following the county name.

**BILLING CODE 4210-62-P**