*Guest Editors' Introduction*

# Small Area Fair Market Rents

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This *Cityscape* symposium focuses on multiple aspects of Small Area Fair Market Rents (SAFMRs). These elements include outcomes based on the experience of early forays into the use of SAFMRs along with insights regarding the implementation of SAFMRs among the public housing agencies (PHAs) required to do so. Before delving into the research, we begin with a brief overview of the importance of Fair Market Rents (FMRs) on the Housing Choice Voucher (HCV) Program and a discussion of the history of SAFMRs. We conclude with a summary of the research contained within the Symposium.

## Introduction

Fair Market Rents (FMRs) are primarily used to determine payment standard amounts for the Housing Choice Voucher (HCV) Program. Local administrators of the HCV program set payment standards that are used to calculate the value of the housing subsidy for each voucher family. FMRs are gross rent estimates; they include the shelter rent plus the cost of all necessary utilities, but do not include telephones, cable or satellite television service, and internet service. The U.S. Department of Housing and Urban Development (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 and neighborhoods and low enough to serve as many low-income families as possible.

Traditionally, HUD calculated a single FMR[1] for each FMR area. HUD defines FMR areas as metropolitan areas and non-metropolitan counties. HUD's FMR areas are based on the most

[1] HUD estimates FMRs for units of different sizes as measured by the number of bedrooms and publishes FMRs for zero-bedroom (efficiency) units to four-bedroom units. For purposes of this discussion, the set of FMRs HUD estimates for an area is referred to as "the FMR."

current Office of Management and Budget (OMB) definitions of metropolitan areas[2] with some exceptions.[3]

Beginning in 2009, the Office of Policy Development and Research (PD&R) undertook the task of developing FMRs that vary within metropolitan areas. After examining a variety of levels of geography, PD&R developed Small Area Fair Market Rents (SAFMRs) for ZIP Codes within metropolitan areas. SAFMRs are designed to enable HCV tenants to access more units in neighborhoods of opportunity because they more accurately reflect the cost of rental housing in these areas. At the same time, and for the same reason, SAFMRs will discourage HCV tenants from locating in neighborhoods of concentrated poverty.

## Fair Market Rents and the Housing Choice Voucher Program[4]

The HCV program is the federal government's major program for assisting very low-income families, the elderly, and people with disabilities in affording decent, safe, and sanitary housing in the private market. Housing choice vouchers are administered locally by public housing agencies (PHAs). PHAs receive federal funds from HUD to administer the voucher program.

A family that is issued a housing voucher is responsible for finding a suitable housing unit of their choice where the owner agrees to rent under the program. This unit may include the family's present residence. Rental units must meet minimum HUD standards of health and safety, as determined by the local PHA. The participant is free to choose any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects.

A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program. Because housing assistance is provided on behalf of the family or individual, participants can find their own housing, including single-family homes, townhouses, and apartments.

At the most basic level, the amount of housing assistance provided to each family is a function of two components: (1) the family's level of income, and (2) the PHA payment standard. In the HCV program, families are required to pay 30 percent of their income toward rent. The PHA administering the voucher program sets the payment standard. With some exceptions, payment standards are calculated between 90 and 110 percent of the FMR for the area. Payment standards are the amounts generally needed to rent a moderately-priced rental unit in the local market. PHAs may set multiple payment standards for different parts of their operating area.

[2] HUD updates the metropolitan area definitions once the metropolitan area definitions are incorporated into the American Community Survey (ACS) data used in the calculation of FMRs.

[3] In general, HUD makes exceptions to the OMB metropolitan area definitions when the OMB definition is larger than HUD's definition of housing market areas. The annual Federal Register notices announcing the FMRs for the upcoming fiscal year (FY), typically published around September 1, contain explanations of how HUD constructs the FMR geography.

[4] The description of the Housing Choice Voucher Program is adapted from information obtained at https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/about/fact_sheet.

FMRs are calculated based on gross rents paid for standard quality rental units occupied by recent movers collected locally through the American Community Survey (ACS).[5] The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units.[6] The current definition used is the 40th percentile rent,[7] the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the current or previous year of responding to the ACS). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than 2 years old.[8]

## The History of Small Area Fair Market Rents

HUD has been calculating FMRs since at least 1974 (39 FR 43943). Over the years, the data sources, calculations methods, and geographic area definitions have changed. Notwithstanding these changes, two constants have remained: FMRs have been calculated for "market areas"[9] and there was a single FMR for each area.

### Original Calculation of Small Area Fair Market Rents

A Government Accountability Office (GAO) report from 1994 titled "Rental Housing: Use of Small Market Areas to Set Rent Subsidy Levels Has Drawbacks" (GAO/RCED-94-112)[10] states "fair market rents based on smaller geographic areas would better reflect the rent levels typically prevailing within those smaller markets" (page 5 of the report). The drawbacks, as summarized below, were too great to allow the use of smaller rent geographies in determining FMRs at that time.

- The cost of collecting the additional data needed to accurately and reliably determine and update FMRs could be substantial—ranging from $5 million to as much as $750 million annually.

[5] The ACS is the primary socioeconomic and demographic survey of the U.S. Census Bureau. It has been conducted since 2005. See https://www.census.gov/programs-surveys/acs.

[6] Standard-quality rental housing units have the following attributes: occupied rental units paying cash rent; specified renter on 10 acres or less; full plumbing; full kitchen; unit more than 2 years old, and meals not included in rent.

[7] There is no statutory requirement for the FMR percentile. Effective 9/14/95, HUD promulgated a regulatory change (60 FR 42222) which set the FMR percentile at the 40th, down from their estimation at 45th percentile as a cost savings measure.

[8] The specified rent level is known as the "Public Housing Cut Off" and is described more fully at: https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2014_code/Public_Housing_Adjustments_for_FMRs_Final.pdf.

[9] Little is known about how the earliest FMR calculations were completed. A visual inspection of the referenced Federal Register notice lists the FMRs for "Market Areas" which appear to be areas larger than single counties. As examples, market areas are listed as "Atlanta" or "Chicago" or "San Francisco."

[10] The report is available at https://www.gao.gov/products/RCED-94-112.

- The costs per assisted household could increase and result in a smaller number of households being served by the Section 8 program unless the program's total funding was increased, which is unlikely. Program costs could increase if the assisted households moved from market areas where the FMR was reduced to market areas where it was increased. In addition, costs could rise if FMRs could increase but not decrease from the current levels.

- FMR could decrease in some areas, thereby restricting housing choices for the assisted households seeking units in those areas.

## 50th Percentile Rents as a De-Concentration Tool

In 2000, HUD identified a pattern of high voucher concentration in relatively low-cost areas. To provide a broad range of housing opportunities throughout the metropolitan area, HUD established FMRs at the 50th percentile by an interim rule published on October 2, 2000. Areas had to meet the following eligibility criteria to use 50th percentile FMRs:

- contain at least 100 census tracts;

- at most, 70 percent of the census tracts with at least 10 two-bedroom units are in census tracts where at least 30 percent of two-bedroom rental units have gross rents at or below the 40th percentile FMR;

- at least 25 percent of the tenants in the FMR area reside in the 5 percent of the census tracts within the FMR area that have the largest number of program participants.

After an area was selected to use 50th percentile FMRs, they would have 3 years to show measurable de-concentration of program participants. If de-concentration was not shown or if the FMR area deconcentrated but fell below 25 percent of the tenants' rule, the FMR area would not be allowed to continue to use 50th percentile FMRs. The objective of 50th percentile FMRs was to give PHAs a tool to assist them in de-concentrating voucher program use patterns. The theory behind 50th percentile FMRs was that by providing certain areas with larger subsidy thresholds, voucher holders would be able to use higher subsidy levels to move into higher opportunity neighborhoods. Unfortunately, as HUD would later discover, raising the level of FMRs uniformly throughout an FMR area did not provide a suitable incentive structure to move and the implementation of 50th percentile FMRs led to administrative complexities for PHAs.[11]

## Current Analysis of Small Area Fair Market Rents

At the beginning of the Obama administration, PD&R was challenged to explore the possibility of calculating FMRs for geographies smaller than metropolitan areas. The first 5 years of ACS data became available in 2010. This allowed access to smaller geographies that would be updated at least every 5 years, which negated the first and most important cost concern expressed in the GAO report.

[11] Establishing a More Effective Fair Market Rent System; Using Small Area Fair Market Rents in the Housing Choice Voucher Program Instead of the Current 50th Percentile FMRs (Small Area FMR Final Rule, 81 FR 80567), Section II – Background, page 80570.

In 2009, when HUD began to research calculating FMRs for areas smaller than metropolitan areas, one of the first questions to be addressed was "what level of geography should HUD target?" Some possible candidates were counties, census tracts, congressional districts, school zones, and ZIP Codes. There are plusses and minuses for each of these geographic definitions. Counties may still be too large. For example, the Flagstaff, Arizona metropolitan statistical area (MSA) is comprised solely of Coconino County, Arizona. There would be no additional geographic delineations for Flagstaff if counties were selected. An individual census tract is typically too small to be considered a housing market, and easily determining what census tract a housing unit is in is not trivial while in the midst of a housing search. Identification is a similar issue for congressional districts and school zones. In the end, HUD decided to use ZIP Codes because:

- ZIP Codes are widely understood by HUD's clients;
- ZIP Codes are small enough to localize rents;
- ZIP Codes are large enough in many cases to have statistically reliable, annually updated data available from the U.S. Census Bureau.

Originally, SAFMRs were calculated by establishing the relationship between rents in the ZIP Code to rents in the metropolitan area where the ZIP Code is found. HUD identified this relationship as a "rent ratio." The rent ratio was determined by dividing the median gross rent across all standard quality units for the small area (a ZIP Code) by the similar median gross rent for the metropolitan area (the Core Based Statistical Area or CBSA) of the ZIP Code.[12] HUD adopted the rent ratio method for calculating SAFMRs under the assumption that inter-area rent relationships are stable over time and to ensure that an SAFMR value would be calculatable for each small area.

The rent ratio was calculated using median gross rents provided by the Census Bureau for both the small area and its encompassing metropolitan area. HUD restricted the use of ZIP Code level median gross rents to those areas for which the margin of error of the ACS estimate is smaller than the estimate itself. The rent relationship was calculated in the following manner for those ZIP Codes within the metropolitan area that have a sufficiently small margin of error:

*Rent Ratio = Median Gross Rent for ZIP Code Area/Median Gross Rent for CBSA*

The rent relationship was capped at 150 percent for areas that would otherwise be greater. This cap was instituted as a mechanism for ensuring that HCV program funds are used as judiciously as possible. At the time of the institution of the SAFMR demonstration program, 2000 census data showed that only 1 percent of all metropolitan ZIP Codes had rents above this 150 percent.

If the gross rent estimate for a ZIP Code within the CBSA either did not exist or had a margin of error that is greater than the estimate, then the median gross rent for the county within the state containing the ZIP Code was divided by the similar median gross rent for the CBSA of the ZIP Code; the gross rent relationship is calculated as:

*Rent Ratio = Median Gross Rent of the County/Median Gross Rent of the CBSA*

[12] Median gross rents were used in this analysis because no special tabulations were needed to acquire the data.

To estimate the rent for a two-bedroom unit in a small area for the current year, HUD multiplied the rent ratio by the current estimate of the 40th percentile two-bedroom rent for recent movers, who had moved into standard quality units, for the entire metropolitan area containing the small area. HUD used data from the ACS tabulations for ZIP Code Tabulation Areas (ZCTAs). The Census Bureau requires the use of ZCTAs to report data for ZIP Codes, because ZCTAs are a standard census geography. In addition to Census Bureau defined-ZCTAs, HUD produces SAFMR estimates for ZIP Codes obtained from the U.S. Postal Service where the number of residential addresses is greater than zero. The rent ratio set for these ZIP Codes is based on the county-to-metropolitan relationship for the ZIP Code in question.

To set the floor for SAFMRs in a metropolitan area, HUD compared two-bedroom SAFMR estimates with the state nonmetropolitan minimum two-bedroom rent for the state in which the area is located that is established as a floor for all FMRs. If the ZIP Code-rent determined using the rental rate ratio is less than the state minimum, the ZIP Code-rent is set at this state nonmetropolitan minimum. SAFMR for bedroom counts other than two-bedroom units are based on the bedroom-size relationships estimated for the metropolitan area. The final calculated rents were then rounded to the nearest $10.

## The Use of Small Area Fair Market Rents in the Dallas, Texas HUD Metro Fair Market Rent Area

In 2007, The Inclusive Communities Project (ICP), a non-profit fair housing focused organization working in the Dallas metropolitan area, sued HUD alleging that "HUD is violating its obligation to set market area fair market rentals for the Dallas-area Section 8 programs."[13] ICP objected to HUD's use of a multicounty area definition for the Dallas metropolitan area. While not admitting guilt, HUD agreed to settle with the plaintiff by naming the Dallas, Texas HUD Metro FMR area (HMFA) as an SAFMR Demonstration Participant. The intent to run an SAFMR demonstration was announced in May 2010 through a Federal Register notice (75 FR 27808). HUD announced the Dallas, Texas HMFA as a demonstration participant via the Federal Register notice announcing proposed fiscal year (FY) 2011 FMRs (75 FR 46958). This marked the first time that SAFMRs were required to be used in the administration of the HCV program.

## The Volunteer Demonstration

Within the same Federal Register notice announcing Dallas' required use of SAFMRs, HUD solicited volunteers to participate in the demonstration. To be eligible to apply, "the PHA or a group of PHAs must represent at least 80 percent of the Section 8 voucher tenants in a metropolitan area. Any PHA that is part of the Demonstration Project must use payment schedules based on these SAFMRs, beginning October 1, 2010, or when they are designated as a Small Area Demonstration Project in a subsequent Federal Register Notice."

Response to HUD's call for volunteers may best be described as non-existent. From personal conversations with the managers of apparently suitable PHAs, HUD leadership determined that

[13] Paragraph 9 of Plaintiff's complaint, Case 3:07-cv-00945, filed in the United States District Court Northern District of Texas Dallas Division, May 29, 2007.

PHAs were unwilling to volunteer due to the financial uncertainties of operating their programs using SAFMRs.

After further considerations, using some Transformation Initiative[14] funding, HUD devised a strategy to offer SAFMR demonstration participants additional funding to be used to offset the necessary administrative expenses incurred due to the switch to SAFMRs. HUD further decided that rather than ask for volunteers, HUD would randomly select PHAs to participate in the demonstration. PHAs who were selected to participate had the opportunity to decline the invitation. HUD made three rounds of offers to PHAs to participate in the Demonstration between July and September 2012. In all, five PHAs accepted HUD's invitation to participate in the SAFMR demonstration and they joined the PHAs in the Dallas, Texas HMFA[15] in using SAFMRs in their service area beginning in 2012.

## The Small Area Fair Market Rent Demonstration Evaluation

In 2015, an evaluation was launched to evaluate the extent to which SAFMRs could provide an effective means for HCV holders to move into higher-opportunity areas without significantly raising overall subsidy costs. The five PHAs[16] that agreed to participate in the SAFMR Demonstration, along with two PHAs from the Dallas metropolitan area, were examined in this SAFMR Demonstration Evaluation study. These seven SAFMR PHAs were compared with a group of 138 PHAs that had similar economic and demographic factors as those in the demonstration. The evaluation revealed that voucher families in the PHAs using SAFMRs were more likely to move to areas of high-opportunity than the "Comparison PHAs," that were using area-wide FMRs. This was especially the case for families with children in the SAFMR PHAs. There was a loss of about 3 percent of the units available for the SAFMR PHAs.

## The Rulemaking

Although the demonstration was still ongoing, research concerning the benefits of SAFMRs began to appear. One aspect of this research was the benefits of SAFMRs as a tool to assist PHAs and voucher holders in tackling the problem of high voucher concentration in high poverty or low-income areas.[17]

HUD began the process of changing the voucher program rules pertaining to FMRs (along with ancillary program rules related to FMRs) through the publication of an Advanced Notice of Proposed Rulemaking on June 2, 2015 (80 FR 31332). This notice was followed by a Notice of Proposed Rulemaking issued June 16, 2016 (81 FR 39218), and the Notice of Final Rulemaking on November 16, 2016 (81 FR 80567). The final rule became effective on January 17, 2017.

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[14] More information about the Transformation Initiative is available at https://www.huduser.gov/portal/about/trans_init.html.

[15] Additional details regarding the process HUD used to randomly select PHAs for the demonstration may be found in HUD's November 20, 2012 Federal Register notice (77 FR 69651).

[16] The five PHAs that agreed to participate in the demonstration included the Housing Authority of the City of Laredo (Texas), the Town of Mamaroneck Housing Authority (New York), the Chattanooga Housing Authority (Tennessee), the Housing Authority of Cook County (Illinois), and the City of Long Beach Housing Authority (California).

[17] Collinson, Robert A., Ganong, Peter. "The Incidence of Housing Voucher Generosity" Cambridge, MA: Harvard University, 2015.

Through the rule, HUD established an alternative to its 50th percentile FMR criteria to evaluate the concentration of voucher holders in metropolitan areas and to determine if SAFMRs would be a good candidate to help solve the high concentration issues in each area.

In a Federal Register notice accompanying the Final Rule (81 FR 80678), HUD identified 24[18] metropolitan areas where vouchers are highly concentrated in areas of high poverty or low-income and where SAFMRs would likely help. PHAs with jurisdiction in these areas were ultimately mandated to use SAFMRs to determine payment standards rather than metropolitan FMRs. Other PHAs were given the opportunity to opt-in with HUD approval.

## The Implementation of the Rule

HUD designated 24 metropolitan areas where the use of SAFMRs is mandatory. PHAs that directly administered HCV assistance for families within the 24 designated metropolitan areas, or "Designated SAFMR PHAs" areas were required to implement SAFMRs by April 1, 2018. In contrast to FMRs, SAFMRs do not apply to any programs other than the HCV program. Other programs that use FMRs (for example, the HOME Investment Partnerships Program) continue to use metropolitan area-wide FMRs regardless of whether SAFMRs have been designated for HCV tenant-based assistance within the same metropolitan area. Designated SAFMR PHAs are not required to, but have the option to, use them for their Project-Based Voucher (PBV) Program as well.

Following a new SAFMR becoming effective, designated PHAs and opt-in PHAs have 3 months to implement new payment standards that fall within the 90 to 110 percent range of the SAFMR.[19] The rule offers PHAs the flexibility to group multiple ZIP Codes into larger payment standard areas or to adopt unique payment standards for each ZIP Code within its jurisdiction.

In the year that a metropolitan area first implements SAFMRs, the SAFMR for each ZIP Code cannot be less than 90 percent of the Metro Area FMR of the previous FY. In subsequent years, the SAFMR for an area is not allowed to be less than 90 percent of the SAFMR for the previous FY.

Once an area has been designated as a SAFMR area, it remains so permanently. HUD will review and update the list of designated SAFMR areas every 5 years as new data becomes available.

## Current Calculation Methods

Current calculation of SAFMRs begins by examining each ZIP Code's 40th percentile gross rent estimates. If a ZIP Code has a statistically reliable (based on the margin of error and sample size) gross rent in at least two of the most recent three ACS releases, the average of those rents is used as the current year's "base rent". HUD uses the average to account for inherent volatility of estimates at low levels of geography in the ACS. Because the base rent represents a 5-year, all-mover estimate, the base rent is updated using the recent mover factor, inflation update factor, and inflation trend factor of the ZIP Code's parent metropolitan area. For ZIP Codes without a useable base rent, a

[18] One of the areas identified through the rulemaking process was the Dallas, Texas HMFA. Consequently, only 23 additional areas were required to start using SAFMRs as part of the rulemaking.

[19] The rule implements a 3-month window for setting payment standards within the basic range for all newly published FMRs, not only SAFMRs.

rent ratio is calculated as discussed previously, although the current practice is to consider the parent HMFA rather than the entire CBSA to further localize SAFMRs. If a ZIP Code does not have a useable base rent or ratio and is bordered by ZIP Codes which do, an average of its neighboring SAFMRs is used. Otherwise, a county-based ratio is used. SAFMRs remain subject to the state minimum, 150 percent cap, and a year-to-year maximum decrease of 10 percent.

## The Symposium Papers

Research conducted and presented within this symposium falls into two general categories. First, several contributions extend on the research and findings related to the SAFMR Demonstration. Second, researchers examined the activities pertaining to the implementation of SAFMRs in the areas required by the rule to do so and to look at alternative measures of rent to assess the quality of SAFMRs in these areas. Submissions for this Symposium were advertised through a Call for Papers published on HUDUSER.gov. The guest editors received 14 proposals for the edition. The guest editors reviewed the proposals and considered how each proposal would contribute to the body of knowledge concerning SAFMRs. The guest editors selected 10 of the proposals to move forward. Each of the nine submissions summarized below was reviewed by each of the guest editors who provided comments on the initial submissions. Each submission was assigned a specific corresponding editor who worked with each corresponding author to complete a finished product. Finally, the guest editors reached out to the two international commentators asking for their review of several of the submissions vis-a-vis their experience with housing assistance programs on an international stage.

### Small Area Fair Market Rent Demonstration Articles

Work in the first category includes research by Dastrup, Ellen, and Finkel which extends the work completed by the SAFMR Demonstration Evaluation with a specific focus on the impacts of the implementation of SAFMRs on families with children. The authors test whether varying housing assistance subsidy caps with ZIP Code rent levels (that is, introducing SAFMRs) increases the likelihood that voucher-holder families with children relocated in higher-opportunity neighborhoods, as proxied by poverty rates, the proficiency levels of local elementary schools, jobs proximity, and environmental hazards. Because Dastrup et al. focus on families with children, they focus on school proficiency levels and poverty rates. To estimate impacts, the authors use a difference-in-differences specification on a repeated cross-section of administrative data to estimate the effect of the introduction of SAFMRs in seven PHAs as compared with a large group of agencies that continued to operate under metro area FMRs. Five years after implementation, SAFMRs do not appear to affect overall move rates, but they meaningfully affect the locational outcomes among families with children who move. The share of such families settling in neighborhoods in the top quartile of our opportunity index measure increases by 11 percentage points (a 120 percent increase).

McClure and Schwartz examine the interplay between SAFMRs and locational choice for voucher families of different races. McClure and Schwartz explore the idea that the efficacy of the SAFMR program may ultimately hinge on the race and ethnicity of the voucher holder. The authors consider the role that race will play in voucher holders maximizing the benefits of SAFMRs by acknowledging the persistence of racial segregation in the United States and the potential implications of this given that a majority of voucher holders are either Black or Hispanic. Their analysis of all metropolitan areas exceeding a population of 1 million or more shows that nearly all the growth in HCV-eligible units would occur in ZIP Code areas that are either predominantly White or that are integrated. The consequence of this finding is that widespread implementation of SAFMRs could make it more difficult for minority voucher holders to find eligible units because the maximum qualifying rents would be reduced in many neighborhoods with large concentrations of minority voucher holders. McClure and Schwartz conclude that more will need to be done to help Black and Hispanic HCV recipients learn about predominantly White and integrated neighborhoods and their housing opportunities, because most people live in segregated areas dominated by people of their own race or ethnicity. Most likely, these needs will have to be addressed by PHAs and their nonprofit partners providing transportation assistance and other forms of support to help HCV recipients in segregated low-income communities find housing in opportunity neighborhoods and to provide services to help remain in their new neighborhoods. Housing counseling and case management will need to be enhanced.

Geyer, Dastrup, and Finkel examine whether the implementation of SAFMRs impacts a voucher family's length of stay in the HCV program. This research looks at the seven SAFMR PHAs compared with 138 "Comparison PHAs" from the SAFMR Demonstration Evaluation. The authors find that using SAFMRs reduces the length of stay for voucher tenants. The study found a median length of participation in the HCV program of 11 years. For those seven PHAs using SAFMRs, this exit rate declined by about 2 years to 9 years. Increased attrition effects are largest among households living in lower- and moderate-rent areas at the time of SAFMR introduction. While tenants in lower-rent areas may be forced out by landlords refusing to rent at lower SAFMRs, the greater attrition in moderate rent households is not easily explained. Although households with a working-age adult, as opposed to households with seniors, are more likely to have increased attrition under SAFMRs in the HCV program, this does not translate into improved financial resources. This merits further study to determine why working adults are leaving the program when they still need housing resources.

Edgar Olsen examines the assertion that HUD overpays for housing units in the HCV program and opines on SAFMRs impact on this issue. Olsen's research provides a comprehensive theoretical analysis that leads to the expectation that the worst voucher units and those in the worst neighborhoods will usually rent for more than the mean market rent of identical units and the best units in the best neighborhoods will rent for less than this amount. This paper summarizes and assesses the data, methods, and results of the major studies examining overpayment. The evidence is consistent with the general pattern predicted by the comprehensive theoretical analysis. It is also consistent with an alternative explanation that challenges its interpretation as overpayments and underpayments for voucher units. The mix of units with estimated overpayments and underpayments varies across studies. The weight of the evidence is that these aggregate differences are modest. Finally, the evidence available indicates that SAFMRs will decrease the rents paid for voucher units with any specified set of characteristics in the worst neighborhoods and increase the rents of such units in the best neighborhoods.

Marietta Haffner, a senior researcher at the Delft University of Technology, and Christine Whitehead, Emeritus Professor of Housing Economics at the London School of Economics, reviewed research from this first category and lend their commentary from an international perspective.

## Alternative Measures of Market Rents

In the second category of research, Patterson and Silverman evaluate the early implementation strategies of the 24 PHAs required to implement SAFMRs with an emphasis on their payment standard setting behavior. Overall, the authors find that the payment setting practices of these PHAs show low fidelity to the SAFMR Rule's opportunity advancement goals. Although average payment standards hovered around 100 percent of the published SAFMRs, those in low-opportunity areas were generally above 100 percent and offset by payment standards below 100 percent in high opportunity ZIP Codes. In addition, the practice of tiering payment standards, adopted by at least one PHA in 22 of the 24 mandated areas further exacerbates the low fidelity to opportunity advancement goals. The authors recommend that HUD improve its monitoring of the 24 mandated areas, which are currently not required to provide HUD with copies of their payment standards and establish rules for tiering payment standards that conform to the opportunity advancement goals of the SAFMR rule. The authors also indicate that HUD should ensure Moving to Work (MTW) agencies in the mandatory areas remain faithful to the goals of the SAFMR rule. The guest editors note that all PHAs face tensions between supplying deep subsidies that provide access to high opportunity areas—at the cost of serving fewer families—and providing shallower subsidies so more families may be assisted—at the cost of potentially limiting access to highest opportunity areas. Further, the guest editors believe that MTW agencies must continue to serve as laboratories that test the most effective use of limited housing subsidy dollars against many competing program goals, including ending homelessness, promoting self-sufficiency, and improving access to opportunity areas.

In "Comparing Small Area Fair Market Rents to Other Rental Measures Across Diverse Housing Markets," Hess, Walter, Acolin, and Chasins compare SAFMRs with rents measured using webscraped rental listings and other private sources of data for three markets in which the PHAs have shifted to localized payment standards: (1) Fort Lauderdale, Florida; (2) San Antonio, Texas; and (3) Seattle, Washington. They explore correlations among the different sources and synthesize the private data into a combined ZIP Code-level rent estimate. They show spatial correlations among the ratios between SAFMRs and combined rent estimates and examine the difference in neighborhood-level housing stock characteristics. Finally, they explore the PHAs' decision making process in choosing how to incorporate SAFMRs and identify challenges and risks going forward based on the data analysis.

Blackhurst, Briem, and Deitrick show that, in the case of Pittsburgh, Pennsylvania, moving from SAFMRs has helped to increase the number of eligible units across different rental markets, however, increases in eligible units are less noteworthy in markets with higher rents. The authors observe that the disparity between SAFMRs and estimated rents for Pittsburgh, Pennsylvania (from listings available through Rent Jungle), increases substantially in areas with higher estimated rents. This finding offers insight on a potential implication of the 150 percent cap of the FMR on SAFMR.

Lastly, this article evaluates the effectiveness of using ZIP Codes as a suitable geographical unit for delineating rental markets and presents an approach for constructing rental market clusters that are representative of varying spatial amenities. The authors conclude that using a combination of clustering and nearest neighbor algorithms are better predictors of market rents than ZIP Codes and require fewer market delineations.

Aksel Olsen examines the impact of implementing SAFMRs through comparisons with rental data acquired from Craigslist. Nationally, the study found that FMRs represented 35 percent of the rental distribution, which is reasonably close to the target 40 percent, but for the 24 mandatory SAFMR areas FMRs provide only 32 percent. With the implementation of SAFMRs, however, the rental distribution for the 24 SAFMR areas increases to more than 40 percent. The change from using FMRs to using SAFMRs increases the count of units available in higher cost and higher opportunity areas with only a relatively minor loss of availability in low opportunity areas. The authors found that the highest opportunity areas have more than 45 percent of listings using SAFMRs. While this boost was largest for the 24 mandatory areas, it was nonetheless significant for a group of 625 metropolitan areas assuming the use of SAFMRs. This result shows that a broader application of SAFMRs will increase housing availability, especially in higher opportunity areas. Challenges remain in dealing with existing tenants in areas where payment standards will decline on implementation of SAFMRs, however, especially in very tight markets. While the most constrained markets, where rents are very high and availability very low, have the greatest need to use SAFMRs to allocate scarce resources to higher opportunity areas, the tight housing market in these areas may be an impediment to a successful SAFMR implementation.

Finally, Casey examines similar comparisons using Zillow data. Monthly lease prices for 1- to 4-bedroom rental units (about 12 million) are collected from the Zillow platform for the 24 metro areas mandated to use SAFMRs. The author finds that under the SAFMR rule, there is an increase in the number of units that are affordable to voucher holders compared with the number of units when using the areawide FMR in low poverty ZIP Codes. On the other hand, the number of units affordable to voucher recipients using SAFMR is less than the number of units using the areawide FMR for high-poverty ZIP Codes. Because this is a case study, it remains to be seen if the findings will hold true for other segments of advertised rental listings.

# Conclusion

The research conducted as part of the first group of papers is conducted on a limited set of PHAs and metropolitan areas. Furthermore, PHAs required to use SAFMRs as part of the rulemaking criteria have been doing so for less than 2 years. The articles in this symposium tremendously expand the body of knowledge surrounding the use of SAFMRs; however, we postulate that this is but a fraction of the work to come.

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