

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-4852-N-01]

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 proposed fiscal year (FY) 2004 Fair Market Rents (FMRs).

SUMMARY: Section 8(c)(1) of the United States Housing Act of 1937 (the Act) 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 (SRO) program. Other programs may require use of FMRs for other purposes. Today's notice proposes revised FMRs that reflect estimated 40th and 50th percentile rent levels trended to April 1, 2004.

DATES: Comments Due Date: June 27, 2003.

ADDRESSES: Interested persons are invited to submit comments regarding HUD's estimates of the FMRs as published in this Notice to the Office of the General Counsel, Rules Docket Clerk, Room 10276, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410-0001. Communications should refer to the above docket number and title and should contain the information specified in the "Request for Comments" section. To ensure that the information is fully considered by all of the reviewers, each commenter is requested to submit two copies of its comments, one to the Rules Docket Clerk and the other to the Economic and Market Analysis Staff in the appropriate HUD Field Office. A copy of each communication submitted will be available for public inspection and copying during regular business hours (7:30 a.m.—5:30 p.m. Eastern Time) at the above address.

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 Allison Manning, Community Assistance Division, telephone (202) 708-1234, 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 Lihn, Economic and Market Analysis Division, Office of Economic Affairs, telephone (202) 708-0590, (e-mail: marie.l. lihn@hud.gov). Hearing- or speech-impaired persons may use the Telecommunications Devices for the Deaf (TTY) by contacting the Federal Information Relay Service at 1-800-877-8339. (Other than the "800" TTY number, telephone numbers are not toll free.)

SUPPLEMENTARY INFORMATION: Section 8 of the United States Housing Act of 1937 (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 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, safe, and sanitary rental housing of a modest (non-luxury) nature with suitable amenities.

Lower Than Normal Increases for Proposed FY 2004 FMRs: It should be noted that proposed FMR increases in many parts of the country, especially nonmetropolitan areas, were modest or non-existent. This is due to two factors. One is relatively modest increases in shelter rents (i.e., total rents excluding utilities). The other and more significant factor is reductions in utility costs from the previous year.

Electronic Data Availability: This Federal Register notice is available electronically from the HUD news page: <http://www.hudclips.org/cgi/index.cgi>. Federal Register notices also are available electronically from the U.S. Government Printing Office Web site: http://www.access.gpo.gov/su_docs/aces/aces140.html.

Publication of FMRs

Section 8(c) of the Act requires the Secretary of HUD to publish FMRs periodically, but not less frequently than annually. HUD's regulations provide that HUD will develop FMRs by publishing proposed FMRs for public comment and publish final FMRs after

evaluating public comments (see 24 CFR 888.115).

Schedule B of the proposed FY 2003 FMR schedules at the end of this document lists the fair market rents for existing housing, including housing assisted under the housing choice voucher program.

Schedule D lists FMRs for the rental of manufactured home spaces in the housing choice voucher program for areas where HUD has approved a manufactured home space FMR greater than 40 percent of the 2-bedroom FMR, based on public comments (see 24 CFR 888.113(e) and 982.623(e)).

In the Moderate Rehabilitation SRO program, the fair market rent is 90 percent of the 0-bedroom existing housing fair market rent in Schedule B. (This is equivalent to 75 percent of the moderate rehabilitation 0-bedroom fair market rent (See 24 CFR 882.408(a).) The FMR for the moderate rehabilitation SRO program is the maximum initial gross rent (gross rent at the beginning of the HAP contract term).

Units are no longer developed under the regular moderate rehabilitation program. For the purpose of determining renewal gross rents for a HAP contract under the regular moderate rehabilitation program, the applicable FMR is 120 percent of the existing housing fair market rent in Schedule B.

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 utilities, except telephone. 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 families as possible.

FMRs are set at a percentile within the rent distribution for 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. The rent for