

40 percent of standard rental housing units is at or below this dollar amount. FMRs have been increased to the 50th percentile rent in those metropolitan areas where a FMR increase is most needed to promote residential choice, help families move closer to areas for job growth, and deconcentrate poverty (See 24 CFR 888.113(c)). The rent for 50 percent of standard rental housing units is at or below this dollar amount. An asterisk in Schedule B identifies each of the 39 FMR areas for which HUD has set 50th percentile FMRs.

Data Sources

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

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

(2) The Bureau of the Census' American Housing Survey (AHS) is used to develop between-Census revisions for the largest metropolitan areas. The revised FMRs have accuracy comparable to the decennial Census; and

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

The base-year FMRs are updated using trending factors based on the 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 contract rent and residential utility cost data are available individually for 99 metropolitan FMR areas and for the four Census Regions. RDD regional rent change factors are developed annually for the metropolitan and nonmetropolitan parts of each of the 10 HUD regions. The utility component of RDD surveys is updated using CPI regional utility cost change factors. 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

With the exception of areas with FMRs set at the 50th percentile, FMRs are established at the higher of the local 40th percentile rent level or a state minimum equal to the statewide average 40th percentile rent for nonmetropolitan counties. The state minimum affects a small number of metropolitan areas whose rents would otherwise fall below the state minimum.

Bedroom Size Adjustments

FMRs are calculated separately for each bedroom size category.

In FMR areas where FMRs are based on the state minimums, the FMR for each bedroom size category is the higher of the 40th percentile rent for that bedroom size category: (1) for the FMR area or (2) for the statewide average of nonmetropolitan counties. For all other FMR areas, the bedroom intervals are based on 1990 census data indicating the rent for that bedroom size for the specific FMR area.

There are some areas where the bedroom intervals were adjusted because the rent intervals between bedroom sizes were above or below an acceptable range. The acceptable range of rent intervals between bedroom sizes was determined from a distribution of bedroom intervals for all metropolitan areas. For areas with rent intervals outside these standard ranges, the rent intervals between bedroom sizes 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 a 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 SRO units are 0.75 times the 0-bedroom FMR.

Area RDD Rent Survey Adjustments

RDD surveys are used to obtain statistically reliable FMR estimates for selected FMR areas. This telephone survey technique involves drawing random samples of renter units occupied by recent movers. RDD surveys exclude public housing units, other assisted units for which the market rent cannot be determined, units built in the past two years, seasonal units, non-cash rental units, and units owned by relatives of the unit occupants.

A HUD analysis has shown that the slight downward RDD survey bias caused by including some rental units that are in substandard condition is almost exactly offset by the slight upward bias that results from surveying only units with telephones.

Approximately 15,000–20,000 telephone numbers need to be contacted to achieve the target survey sample level

of 200 eligible recent mover responses. RDD surveys have a high degree of statistical accuracy; there is a 95 percent likelihood that the recent mover rent estimates developed using this approach are within 3 to 4 percent of the actual rent value. Virtually all of the estimates are within 5 percent of the actual value.

Today's notice includes proposed FMR decreases below the normal update factor based on RDD surveys conducted in July 2002 for the following areas:

Oklahoma City, OK MSA

San Francisco, CA PMSA

Unlike past years, HUD did not complete any RDDs this winter for the FY 2004 FMRs.

FMR Area Definition Changes

This notice includes FMRs for two nonmetropolitan counties (boroughs) in Alaska not previously listed separately: Denali and Yakutat. Denali comes from the Yukon-Koyukuk area and Yakutat comes from the former area of Skagway-Yakutat-Angoon, now renamed Skagway-Hoonah-Angoon.

Request for Comments

HUD seeks public comments on FMR levels for specific areas. Comments on FMR levels must include sufficient information (including local data and a full description of the rental housing survey methodology used) to justify any proposed changes. Changes may be proposed in all or any one or more of the bedroom-size categories on the schedule. Recommendations and supporting data must reflect the rent levels that exist within the entire FMR area.

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 about \$20,000. Areas with 500 or more program units usually meet this cost criterion, and areas with fewer units may meet it if actual 2-bedroom rents 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, do 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