

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). 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.

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.

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-