

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