

November 21, 2016

VIA ELECTRONIC SUBMISSION

Attention: Anna P. Guido, Reports Management Officer  
QDAM  
Department of Housing and Urban Development  
451 7th Street SW, Room 10276  
Washington, DC 20410-0500  
Via Email: Anna.P.Guido@HUD.gov

Re: 60-Day Notice of Proposed Information Collection: Small Area Fair Market Rent  
Demonstration Evaluation  
Docket No. FR-5915-N-10

Ladies and Gentlemen:

The undersigned organizations appreciate the opportunity to comment on the Department of Housing and Urban Development's Notice of Proposed Information Collection ("Notice") for the Small Area Fair Market Rent ("SAFMR") Demonstration Evaluation.<sup>1</sup>

HUD's tenant-based rental assistance in the Section 8 Housing Choice Voucher (HCV) program serves some 2.2 million households nationwide.<sup>2</sup> The program is substantially and critically important to all who are served, and our organizations therefore support HUD's efforts to consider and study ways to improve the HCV program.

Although we recognize that moving low income households to areas of opportunity may be a worthwhile objective, and we strongly support the principle of choice in the voucher program, we do not believe HUD has completely established that Small Area Fair Market Rents (SAFMRs) are an effective way to accomplish this. We are concerned that HUD has enthusiastically and prematurely sought to apply broader applications of SAFMRs in the absence of empirical evidence of their effectiveness. For example, HUD has stated<sup>3</sup> SAFMRs are more effective than other methods in helping families move to areas of higher opportunity, and that SAFMRs can achieve this goal at about the same average cost. These are very strong assumptions. In order to justify them, HUD must establish, at a minimum, that:

- 1) SAFMRs cause voucher holders to move out of zip codes where rents and HCV subsidies are lower and into zip codes where rents and subsidies are higher;
- 2) The quality of the units and neighborhoods in the high-rent zip codes is better;

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<sup>1</sup> Docket No. FR-5915-N-10

<sup>2</sup> HUD's Housing Choice Voucher Program Tenant Characteristics, HUD FY2016 Proposed Budget.

<sup>3</sup> For example, in the June 16, 2016 *Federal Register* notice "Establishing a More Effective Fair Market Rent System; Using Small Area Fair Market Rents in Housing Choice Voucher Program Instead of the Current 50<sup>th</sup> Percentile FMRs."

- 3) Reduced demand in the low-rent zip codes that retain holders will cause rents and subsidies to decline far enough to offset the increased subsidy costs in the high-rent zip codes; and
- 4) Increased demand in the high-rent zip codes into which voucher holders move will not cause rents and subsidy costs in these areas to increase further.

To this list, we would add that it is also critically important to establish that:

- 5) Reduced subsidies in lower rent zip codes do not cause disinvestment, harming voucher holders and other residents in these areas.

For these reasons, we support HUD's efforts to study the positive and negative impacts of the SAFMR demonstration program. We offer the following recommendations to ensure the Department has meaningful data to evaluate the demonstration program and from which it can draw sound policy conclusions.

In reviewing the proposed information collection and interview process, we understand that HUD faces a variety of challenges in collecting actionable, generalizable information. Nevertheless, we have several concerns about the underlying methodology of the proposed information collection process.

One is the limited size of the proposed information collection, raising questions about whether it can capture enough information to establish that the demonstration program has been effective. Some of this is due to the limitations of the demonstration program itself. As one example, the restricted geography and predominance of Texas locations in the demonstration program makes it unlikely generalizations made from it would accurately portray the program's impact nationwide.

It is also unclear that, even within the confines of the demonstration program area, the proposed information collection will be extensive enough to establish the effectiveness of the program. In commenting on this, we are at a disadvantage, because the questionnaires will not be available to the public until after the comment period.

In the notice of information collection, HUD stated that it plans to ask residents and property owners or managers their perceptions of the changes from area-wide FMRs to SAFMRs, but did not outline how it plans to control for differing market conditions, differing property situations, higher and lower program payment standards, whether the property managers and owners in the interview process are on-site property managers or in off-site corporate offices, and other factors that could impact the feedback received. As mentioned above, the geography of the demonstration program is limited, to the jurisdictions of seven PHAs in six metro areas in four states, with three of the seven PHAs located in Texas. It is important to collect statistically valid information from each of the metro areas in order to control for differences in market conditions as much as possible within the demonstration areas.

We support HUD engaging both property owners and residents in an interview process, but note that to establish the effectiveness of the SAFMR demonstrations it is critically important, in each

metro area, to collect **equivalent information from property owners and residents in zip codes where FMRs are both significantly higher and lower** than for the metropolitan area overall.

Examples of the type of information that should be collected in each case include the following:

High FMR zip codes	Low FMR zip codes
Residents	
Did they understand the transition to SAFMRs?	Did they understand the transition to SAFMRs?
Did higher FMRs induce them to move to these zip codes?	Does knowing that FMRs are higher elsewhere in the same metro area make it more likely they will move out of this zip code?
Do they have better quality units because they live in this zip code?	
Do they have better quality neighborhoods because they live in this zip code?	
Property Owners/Managers	
Did they understand the transition to SAFMRs?	Did they understand the transition to SAFMRs?
(If applicable) Do the higher FMRs make it more likely they will accept voucher holders?*	(If applicable) Do the higher FMRs make it less likely they will accept voucher holders?*
Will increased demand for their units make it easier for them to increase rents?	Will reduced demand for their units cause them to lower rents?
Will increased demand and higher subsidies make it easier for them to maintain and upgrade their units?	Will reduced demand and lower subsidies make it more difficult for them to maintain and upgrade their units?

\*\*Some states and /or local governments require property owners and managers to accept voucher holders, so asking these questions in those jurisdictions would be needless. Similarly, some properties built with federal funding or tax credits are required to accept HCVs as a source of income. We recommend that HUD evaluate each jurisdiction and test these questions carefully before deciding to include them in the survey.

Our organizations support HUD’s effort to gather information about the SAFMR demonstrations, and recognize the challenges that this information collection can pose. The sample being studied from the demonstration presents challenges given the diversity in market and program conditions and interviewees, as well as in the objectivity of the interview questions. We encourage HUD to work closely, and share preliminary information and results, with stakeholders in an effort to create the most informed review process possible. We all share the goal of producing the most effective rental assistance policy to help those in need.

Thank you for your consideration of our comments. We look forward to engaging HUD in further discussions on these important matters.

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Sincerely,

Council for Affordable and Rural Housing  
Institute of Real Estate Management  
National Affordable Housing Management Association  
National Apartment Association  
National Association of Home Builders  
National Association of Housing Cooperatives  
National Leased Housing Association  
National Multifamily Housing Council