

August 30, 2013

Office of General Counsel, Regulations Division
Department of Housing and Urban Development
451 Seventh Street, S.W.
Room 10276
Washington, DC 20410-0001

Re: Proposed Fair Market Rents for the Housing Choice Voucher Program and Moderate Rehabilitation Single Room Occupancy Program Fiscal Year 2014
Notice
Docket No. FR-5725-N-01

Dear Sir or Madam:

On behalf of the undersigned organizations, please find our comments on the above-referenced Notice for Proposed Fair Market Rents (FMRs) for the Housing Choice Voucher Program for Fiscal Year 2014 (FY2014). Our organizations represent a broad array of members involved in the development, construction, ownership, and management of market rate and affordable multifamily rental housing. Our members and their customers use a variety of the U.S. Department of Housing and Urban Development's (HUD) programs, including the Housing Choice Voucher Program. We strongly support the Housing Choice Voucher program, which provides rental assistance to over two million very-low income households who live in privately owned housing. We appreciate the opportunity to comment on the proposed FMRs for FY2014.

Areas with Large Declines

Although HUD's methodology for determining FMRs in general makes effective use of the available data, capturing current market conditions in all parts of the country is a difficult task and any conceivable methodology will likely encounter at least occasional challenges. In the case of the numbers proposed for FY2014, there were large changes to the FMRs in a substantial number of areas.

For example, FMRs increased by more than five percent in 90 metropolitan FMR areas and 328 non-metropolitan counties; and declined by more than 5 percent in 67 metropolitan FMR areas and 229 non-metropolitan counties. In the past, our members have reported problems when FMRs decline substantially. The table below shows the 67 metropolitan areas where the FMRs declined by more than five percent:

Area Name	Population	2 Bedroom FMR		Change 2013-2014	
		2013	2014	Dollars	Percent
Laurens County, SC HUD Metro FMR Area	66,537	868	634	-234	-26.96%
Kendall County, IL HUD Metro FMR Area	114,736	1,223	999	-224	-18.32%
Rome, GA MSA	96,317	785	674	-111	-14.14%
Lebanon, PA MSA	133,568	822	713	-109	-13.26%
Williamsport, PA MSA	116,111	748	655	-93	-12.43%
Hinesville-Fort Stewart, GA HUD Metro FMR	63,453	850	747	-103	-12.12%
Kingston, NY MSA	182,493	1,197	1,062	-135	-11.28%
Cleveland, TN MSA	98,963	731	649	-82	-11.22%

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Santa Barbara-Santa Maria-Goleta, CA MSA	423,895	1,426	1,272	-154	-10.80%
Sheboygan, WI MSA	115,507	803	719	-84	-10.46%
Montgomery, AL MSA	54,571	790	710	-80	-10.13%
Cedar Rapids, IA HUD Metro FMR Area	211,226	725	655	-70	-9.66%
Lynchburg, VA MSA	32,353	726	657	-69	-9.50%
Lawrence, KS MSA	110,826	860	779	-81	-9.42%
Jackson, TN MSA	17,131	756	685	-71	-9.39%
Fort Smith, AR-OK HUD Metro FMR Area	61,948	662	600	-62	-9.37%
Elizabethtown, KY MSA	105,543	645	585	-60	-9.30%
Gadsden, AL MSA	104,430	657	596	-61	-9.28%
Franklin County, AR HUD Metro FMR Area	18,125	617	561	-56	-9.08%
Long County, GA HUD Metro FMR Area	14,464	699	636	-63	-9.01%
Lewiston-Auburn, ME MSA	23,055	826	752	-74	-8.96%
Gainesville, FL MSA	247,336	954	869	-85	-8.91%
Madera-Chowchilla, CA MSA	150,865	861	785	-76	-8.83%
Grand Junction, CO MSA	146,723	837	765	-72	-8.60%
Sharon, PA HUD Metro FMR Area	116,638	701	641	-60	-8.56%
Stewart County, TN HUD Metro FMR Area	13,324	614	563	-51	-8.31%
Charlottesville, VA MSA	98,970	1,099	1,008	-91	-8.28%
Jacksonville, NC MSA	177,772	824	757	-67	-8.13%
Dover, DE MSA	162,310	990	910	-80	-8.08%
Mankato-North Mankato, MN MSA	64,013	765	704	-61	-7.97%
Asheville, NC HUD Metro FMR Area	238,318	777	719	-58	-7.46%
Kendall County, TX HUD Metro FMR Area	33,410	912	844	-68	-7.46%
Killeen-Temple-Fort Hood, TX HUD Metro FMR	310,235	792	734	-58	-7.32%
Haywood County, NC HUD Metro FMR Area	59,036	721	669	-52	-7.21%
Barnstable Town, MA MSA	45,193	1,267	1,176	-91	-7.18%
Athens-Clarke County, GA MSA	116,714	776	721	-55	-7.09%
New Haven-Meriden, CT HUD Metro FMR Area	5,563	1,316	1,223	-93	-7.07%
Battle Creek, MI MSA	136,146	740	689	-51	-6.89%
Taunton-Mansfield-Norton, MA HUD Metro FMR	6,411	1,134	1,057	-77	-6.79%
Stockton, CA MSA	685,306	997	930	-67	-6.72%
Chattanooga, TN-GA MSA	63,942	727	679	-48	-6.60%
Scranton--Wilkes-Barre, PA MSA	214,437	743	694	-49	-6.59%
Warner Robins, GA MSA	139,900	813	760	-53	-6.52%
Blacksburg-Christiansburg-Radford, VA HUD	94,392	765	716	-49	-6.41%
Farmington, NM MSA	130,044	785	735	-50	-6.37%
Jones County, IA HUD Metro FMR Area	20,638	618	579	-39	-6.31%
Panama City-Lynn Haven-Panama City Beach,	168,852	920	862	-58	-6.30%
Milford-Ansonia-Seymour, CT HUD Metro FMR	19,249	1,294	1,214	-80	-6.18%
Santa Rosa-Petaluma, CA MSA	483,878	1,332	1,251	-81	-6.08%
Meade County, SD HUD Metro FMR Area	25,434	697	655	-42	-6.03%
Harrisburg-Carlisle, PA MSA	235,406	899	845	-54	-6.01%
Saunders County, NE HUD Metro FMR Area	20,780	779	733	-46	-5.91%
Stamford-Norwalk, CT HUD Metro FMR Area	20,732	1,648	1,551	-97	-5.89%
Fresno, CA MSA	930,450	878	827	-51	-5.81%
Roanoke, VA HUD Metro FMR Area	33,148	764	720	-44	-5.76%
Cape Girardeau-Jackson, MO-IL MSA	8,238	720	679	-41	-5.69%
Seward County, NE HUD Metro FMR Area	16,750	622	587	-35	-5.63%
Bridgeport, CT HUD Metro FMR Area	144,229	1,230	1,161	-69	-5.61%
Casper, WY MSA	75,450	807	762	-45	-5.58%
Danbury, CT HUD Metro FMR Area	18,584	1,384	1,308	-76	-5.49%
Florence, SC HUD Metro FMR Area	136,885	687	650	-37	-5.39%
Birmingham-Hoover, AL HUD Metro FMR Area	22,915	785	743	-42	-5.35%
Manhattan, KS MSA	34,362	830	786	-44	-5.30%
Barry County, MI HUD Metro FMR Area	59,173	718	680	-38	-5.29%
State College, PA MSA	153,990	964	914	-50	-5.19%
Michigan City-La Porte, IN MSA	111,467	758	719	-39	-5.15%
Spokane, WA MSA	471,221	778	739	-39	-5.01%

Reductions of this magnitude can have a number of adverse consequences. For example, a reduction of more than five percent in published FMR triggers a rent reasonableness analysis on the part of the PHA with jurisdiction over the area (Housing Choice Voucher Guidebook, directive 7420.10G). If the PHA's analysis finds that the rent being charged by a property owner is no longer reasonable, the owner will be required to reduce the rent. If the owner determines that this reduction will adversely affect the financial stability of the property, the owner will likely choose to leave the program, and the tenant will then have to move. Another consequence of a large reduction in FMRs is that owners may have to defer maintenance items because cash flows are no longer adequate to cover operating expenses.

Our organizations are disappointed that the Notice on the FY2014 proposed FMRs states that, due to current funding levels, HUD no longer has sufficient resources to conduct local surveys of rents to address comments filed regarding FMRs for specific areas. We believe the funding level and allocation of resources reflects a lack of understanding of how difficult it is to determine FMRs and how regularly additional local surveys are needed to cross check the initial estimates. Given that HUD now lacks the resources to undertake such surveys, we believe it would be especially appropriate to establish a hard floor limiting declines in FMRs from one year to the next to no more than five percent.

Small Area Fair Market Rents (SAFMRs)

The Notice states that only six PHAs are participating in the SAFMR demonstration and that HUD is working to secure more housing authority participants. Our organizations continue to have concerns about the use of SAFMRs for the voucher program, or any other housing program purpose. SAFMRs are based on zip codes, but zip codes were created to facilitate the delivery of mail, not delineate housing markets. Further, HUD solicited for comment in May 2011 on whether Difficult to Develop Areas (DDAs) should be based on SAFMRs. We responded to that solicitation, expressing opposition to using SAFMRs to establish DDAs.

Specially, we have expressed the following concerns about SAFMRs in general:

- Whether zip codes can really be used to delineate housing markets because zip codes were developed to facilitate mail delivery.
- The potential for putting existing properties into an unsustainable revenue loss position and financial jeopardy due to reduced rents when moving from regular FMRs to SAFMRs.
- Whether owners who receive lower SAFMRs will be willing to stay in the program and whether owners in higher-rent properties will be willing to participate.
- The impact of using SAFMRs in mixed-finance properties (such as those using the HOME and Low Income Housing Tax Credit programs).
- Whether the use of SAFMRs would deter investment in Qualified Census Tracts or Difficult to Develop Areas.

HUD's response to these concerns was that the SAFMR demonstration would be limited to the Housing Choice voucher program and only in those areas and by those PHAs selected for the demonstration. However, we do not believe that HUD adequately addressed the potential for disinvestment in redevelopment and/or low-income areas if rents drop substantially because of the use of SAFMRs. While HUD says it will impose a floor of 10 percent annually if rents decrease, this is still a substantial drop in revenue for the property. HUD says it will "continue to assess the likely impact of small area FMRs on other programs, and will provide another

opportunity for public comment on the issue at a future date.” We respectfully ask when HUD will provide this opportunity for public comment.

Recently, some of our organizations responded to an article in *Cityscape: A Journal of Policy Development and Research* regarding HUD’s intent to evaluate the demonstration program. The article described the research, including the research questions that will be answered, and suggested some positive results that may emerge. Other researchers were encouraged to contact HUD with suggestions for further research questions.

We very much appreciate that an evaluation of the demonstration will be conducted. However, HUD proposes just three research questions, according to the article:

1. Are SAFMRs more difficult to administer than metropolitan FMRs?
2. Do SAFMRs incent tenants to move to different neighborhoods more than metropolitan FMRs do?
3. How do SAFMRs affect assistance program costs compared with metropolitan FMRs?

We believe that the scope of the evaluation should be broadened to include an analysis of the aspects of the program for which we previously raised concerns to HUD. Our suggested questions are:

1. To what extent did the availability of rental units for lease-up by voucher holders decrease or increase as a result of the application of SAFMRs?
2. Was there a difference in unit availability in areas with lower SAFMRs compared to neighboring areas with higher SAFMRs?
3. If the payment standard was reduced as a result of a decrease in the FMR, what was the impact on existing voucher tenants?
4. What percentage of voucher holders moved as a result of the application of the SAFMRs, and what were the patterns of moving?
5. Did any landlords agree to reduce the unit rent to retain the tenants? If so, was there a noticeable difference in the number of units meeting housing quality standards (HQS)?
6. Did the application of the SAFMRs impact landlord participation in the voucher program?
7. What were the effects on landlords’ bottom lines in places with low SAFMRs relative to the metro-wide FMR?
8. Are there changes in the net flow of funds from low-income and/or majority minority neighborhoods to higher-income and/or majority non-minority neighborhoods?
9. Did tenants express confusion regarding the new types of FMRs in terms of which SAFMRs and FMRs applied and in what neighborhoods/jurisdictions?

We believe that evaluation of our proposed questions, in addition to the questions posed by HUD as stated in the article, will provide a fuller understanding of the true impact of SAFMRs on the voucher program. Clearly, impact on landlord participation rates, physical property condition, financial status of the property, as well as tenant outcomes, are critical pieces of information that should be understood in evaluating the demonstration. Expansion (or discontinuance) of the demonstration should be based on answering all of these research questions. Finally, we ask whether an official request for research questions will be forthcoming in the Federal Register.

Thank you for the opportunity to comment on the proposed FY2014 FMRs. If you have any questions, please contact Paul Emrath, Vice President, Survey and Housing Policy Research, NAHB, at pemrath@nahb.org or Denise Muha, Executive Director, National Leased Housing Association at dmuha@hudnlha.com.

Sincerely,

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