



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-5962-N-01]

**Fair Market Rents for the Housing Choice Voucher Program,
Moderate Rehabilitation Single Room Occupancy Program and Other Programs
Fiscal Year 2017**

AGENCY: Office of the Assistant Secretary for Policy Development and Research, HUD.

ACTION: Notice of Fiscal Year (FY) 2017 Fair Market Rents (FMRs).

SUMMARY: Today's notice announces the FY 2017 Fair Market Rents (FMRs) for all areas that reflect the estimated 40th and 50th percentile rent levels trended to April 1, 2017. The Housing Opportunities Through Modernization Act of 2016 (HOTMA) (Pub. L. 114-201, approved July 29, 2016) revises the procedure by which HUD publishes its annual FMRs. Specifically, HUD is no longer required to publish proposed FMRs for comment in the Federal Register. Rather, HUD may post the FMRs on HUD's website and announce such posting by notice published in the Federal Register. In addition, HOTMA provides that HUD's FMRs shall be effective no earlier than 30 days after the date of the publication of HUD's Federal Register notice but that public housing agencies (PHAs) and other interested parties may comment on the FMR and request reevaluation of FMRs in a jurisdiction before such FMRs become effective. This notice announces that HUD's FY 2017 FMRs are available at www.huduser.gov and will take effect as stated in the DATES section of this notice unless interested parties request reevaluation of a their FMRs by **[Insert date 30 days after date of publication in the FEDERAL REGISTER]**. HOTMA also requires HUD to publish proposed material changes to the methodology for comment. This notice also announces that HUD is not changing the methodology for calculating the FY 2017 FMRs estimates from that used to determine the FY

2016 FMRs. This notice, however, requests public comments on defining the scope of material changes that will trigger notice and comment in future calculation of FMRs.

The FY 2017 FMRs announced in this notice are based on “5-year” data collected by the American Community Survey (ACS) from 2010 through 2014. HUD updated the 5-year data with “one-year” 2014 ACS data for areas where statistically valid one-year ACS data is available. HUD continues to use ACS data in different ways according to the statistical reliability of rent estimates. HUD uses actual and forecast Consumer Price Index (CPI) rent and utility price indices to further update the ACS-derived rents to the middle of the FY 2017 fiscal year. The FY 2017 FMRs continue to use the February 28, 2013, OMB metropolitan area definitions. As noted above, the FY 2017 FMRs are calculated in the same manner used to calculate of the FY 2016 FMRs with the only differences being the use of updated data.

HUD notes that the only area for which HUD announces Small Area FMRs is the Dallas, TX HUD Metro FMR Area. The Small Area FMR Demonstration project with 5 PHA participants concludes on September 30, 2016. The 5 PHAs that participated in the demonstration may continue to be able set their housing choice voucher payment standards based on Small Area FMRs, as discussed in this notice.

DATES: Comment Due Date: **[Insert date 30 days after date of publication in the FEDERAL REGISTER].**

Effective Date: **October 1, 2016.**

ADDRESSES: HUD invites interested persons to submit comments regarding the FMRs and requests for reevaluation of the FY 2017 FMRs to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 Seventh Street, SW, Room 10276, Washington, DC 20410-0001. Communications must refer to the above docket number

and title and should contain the information specified in the “Request for Comments” and “Requests for FMR Reevaluations” sections below. There are two methods for submitting public comments and reevaluation requests.

1. Submission of Comments or Reevaluation Requests by Mail. Comments or requests for reevaluation may be submitted by mail to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street, SW, Room 10276, Washington, DC 20410-0500. Due to security measures at all federal agencies, however, submission of comments by mail often results in delayed delivery. To ensure timely receipt of comments or reevaluation requests, HUD recommends that comments or requests submitted by mail be submitted at least two weeks in advance of the deadline. HUD will make all comments or reevaluation requests received by mail available to the public at <http://www.regulations.gov/>.

2. Electronic Submission of Comments or Reevaluation Requests. Interested persons may submit comments or reevaluation requests electronically through the Federal eRulemaking Portal at <http://www.regulations.gov>. HUD strongly encourages commenters to submit comments or reevaluation requests electronically. Electronic submission of comments or reevaluation requests allows the commenter maximum time to prepare and submit a comment or reevaluation request, ensures timely receipt by HUD, and enables HUD to make them immediately available to the public. Comments or reevaluation requests submitted electronically through the <http://www.regulations.gov> website can be viewed by other commenters and interested members of the public. Commenters or reevaluation requestors should follow instructions provided on that site to submit comments or reevaluation requests electronically.

Note: To receive consideration as public comments or reevaluation requests, comments or requests must be submitted through one of the two methods specified above. Again, all submissions must refer to the docket number and title of the notice.

No Facsimile Comments or Reevaluation Requests. Facsimile (FAX) comments or requests for FMR reevaluation are not acceptable.

Public Inspection of Public Comments and Reevaluation Requests. All properly submitted comments and reevaluation requests and communications regarding this notice submitted to HUD will be available for public inspection and copying between 8 a.m. and 5 p.m. weekdays at the above address. Due to security measures at the HUD Headquarters building, an advance appointment to review the public comments and reevaluation requests must be scheduled by calling the Regulations Division at 202-708-3055 (this is not a toll-free number). Individuals with speech or hearing impairments may access this number through TTY by calling the Federal Relay Service at 800-877-8339. Copies of all comments and reevaluation requests submitted are available for inspection and downloading at <http://www.regulations.gov>.

FOR FURTHER INFORMATION CONTACT: For technical information on the methodology used to develop FMRs or a listing of all FMRs, please call the HUD USER information line at 800-245-2691 or access the information on the HUD USER website <http://www.huduser.gov/portal/datasets/fmr.html>. FMRs are listed at the 40th or 50th percentile in Schedule B. For informational purposes, 40th percentile rents for the areas with 50th percentile FMRs will be provided in the HUD FY 2017 FMR documentation system at <http://www.huduser.gov/portal/datasets/fmr/fmrs/docsys.html&data=fmr17> and 50th percentile rents for all FMR areas will be published at <http://www.huduser.gov/portal/datasets/50per.html>.

Questions related to use of FMRs or voucher payment standards should be directed to the respective local HUD program staff. Questions on how to conduct FMR surveys may be addressed to Marie L. Lihn or Peter B. Kahn of the Economic and Market Analysis Division, Office of Economic Affairs, Office of Policy Development and Research at HUD headquarters [451 7th Street, SW, Room 8208, Washington, DC 20410]; telephone number 202-402-2409 (this is not a toll-free number), or they may be reached at emad-hq@hud.gov. Persons with hearing or speech impairments may access HUD numbers through TTY by calling the toll-free Federal Relay Service at 800-877-8339.

Electronic Data Availability. This Federal Register notice will be available electronically from the HUD User page at <https://www.huduser.gov/portal/datasets/fmr.html>. Federal Register notices also are available electronically from <https://www.federalregister.gov/> the U.S. Government Printing Office website. Complete documentation of the methods and data used to compute each area's FY 2017 FMRs is available at <http://www.huduser.gov/portal/datasets/fmr/fmrs/docsys.html&data=fmr17>. FY 2017 FMRs are available in a variety of electronic formats at <https://www.huduser.gov/portal/datasets/fmr.html>. FMRs may be accessed in PDF format as well as in Microsoft Excel. Small Area FMRs based on FY 2017 Metropolitan Area Rents for the Dallas, TX HUD Metro FMR Area are available in Microsoft Excel format at the same web address. Small Area FMRs for all other metropolitan FMR areas are available at: <http://www.huduser.gov/portal/datasets/fmr/smallarea/index.html>.

SUPPLEMENTARY INFORMATION

I. Background

Section 8 of the USHA (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 geographic areas. In the Housing Choice Voucher (HCV) program, the FMR is the basis for determining 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 and is typically set at the 40th percentile of the distribution of gross rents. In addition, all rents subsidized under the HCV program must meet reasonable rent standards. HUD’s regulations at 24 CFR 888.113 permit the Department to establish 50th percentile FMRs for certain areas.

In addition to the HCV program, FMRs are used to determine initial renewal rents for some expiring project-based Section 8 contracts, to determine initial rents for housing assistance payment contracts in the Moderate Rehabilitation Single Room Occupancy program, and to serve as rent ceilings for rental units in the HOME Investment Partnerships program. HUD also uses FMRs in the calculation of maximum award amounts for Continuum of Care grantees and in the calculation of flat rents in Public Housing units.

II. Procedures for the Development of FMRs

Section 8(c)(1) of the USHA, as amended by HOTMA requires the Secretary of HUD to publish FMRs not less than annually. Section 8(c)(1)(A) states, in part, that “[e]ach fair market rental in effect under this subsection shall be adjusted to be effective on October 1 of each year to reflect changes, based on the most recent available data trended so the rentals will be current for the year to which they apply, of rents for existing or newly constructed rental dwelling units, as the case may be, of various sizes and types in the market area suitable for occupancy by persons assisted under this section.”

Section 8(c)(1)(B) also provides that FMRs for an area shall be published not less than annually on the Department's website on the World Wide Web. In addition, HUD is required to publish a notice in the Federal Register alerting the public that such FMRs are being published. Section 8(c)(1)(B) provides that such FMRs shall become effective no earlier than 30 days after the date of such publication. HUD is required, however, to establish a procedure for PHAs and other interested parties to comment on such FMRs and to request, within a time specified by HUD, reevaluation of the FMRs in a jurisdiction before such rentals become effective.

This notice serves as the statutory requirement to provide notice that FY 2017 FMRs are available at <https://www.huduser.gov/portal/datasets/fmr.html>. In addition, HUD's regulations at 24 CFR 888.113(c) set out procedures for HUD to assess whether areas are eligible for FMRs at the 50th percentile. Minimally qualified areas¹ are reviewed each year unless not qualified to be reviewed. Areas are not qualified to be reviewed if they have been made a 50th-percentile area within the last three years or have lost 50th-percentile status for failure to deconcentrate within the last three years.

In FY 2016 there were 14 areas using 50th-percentile FMRs. Of these 14 areas, no area completed three years of program participation and were evaluated. Therefore, all 14 areas will continue to operate using 50th percentile FMRs in FY 2017.

¹ As defined in 24 CFR 888.113(c), a minimally qualified area is an area with at least 100 census tracts where 70 percent or fewer of the census tracts with at least 10 two bedroom rental units are census tracts in which at least 30 percent of the two bedroom rental units have gross rents at or below the two bedroom FMR set at the 40th percentile rent and where 25 percent or more of voucher tenants reside in the 5 percent of the census tracts within the FMR area that have the largest number of voucher program participants. This continues to be evaluated with 2000 Decennial Census information. In light of HUD's June 6, 2015 Advanced Notice of Proposed Rulemaking, HUD has chosen not to update the area selection criteria with 2010 tract delineations in order to ease the anticipated future implementation of a Small Area FMR based deconcentration rule .

In addition, two areas that previously “graduated” from the 50th percentile FMR program, become 50th percentile FMR areas again because voucher tenant concentrations are now above this 25 percent minimum. Under the 50th percentile FMR program, areas that experience a reduction in the concentration of tenants below the 25 percent minimum required to reside in the 5 percent of the census tracts within the FMR area with the largest number of voucher program participants, are evaluated each year after they lose their 50th percentile FMRs. Two of these areas, Bergen-Passaic, NJ HUD Metro FMR Area, and San Diego-Carlsbad-San Marcos, CA MSA, become 50th percentile FMR areas again because voucher tenant concentrations are now above this 25 percent minimum. In addition, a new area, Spokane, WA HUD Metro FMR Area qualified for the first time by registering a significant increase in its concentration measure to get above 25 percent. Based on the current regulations, HUD is including these 3 areas along with the 14 areas from FY 2016 in the use of 50th percentile FMRs in FY 2017.

FY 2017 50th-Percentile FMR Areas And Year of Next Reevaluation			
Albuquerque, NM MSA	2018	Baltimore-Columbia-Towson, MD MSA	2019
Bergen-Passaic, NJ HUD Metro FMR Area	2020	Chicago-Joliet-Naperville, IL HUD Metro FMR Area	2018
Denver-Aurora-Broomfield, CO MSA	2018	Hartford-West Hartford-East Hartford, CT HUD Metro FMR Area	2018
Urban Honolulu, HI MSA	2018	Kansas City, MO-KS HUD Metro FMR Area	2018
Milwaukee-Waukesha-West Allis, WI MSA	2018	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	2019
Riverside-San Bernardino-Ontario, CA MSA	2018	San Diego-Carlsbad-San Marcos, CA MSA	2020
Spokane, WA HUD Metro FMR Area	2020	Tacoma, WA HUD Metro FMR Area	2018
Virginia Beach-Norfolk-Newport News, VA-NC MSA	2018	Washington, DC-VA-MD HUD Metro FMR Area	2019
West Palm Beach-Boca Raton, FL HUD Metro FMR Area	2019		

HUD published a proposed rule titled, “Establishing a More Effective Fair Market Rent System; Using Small Area Fair Market Rents in Housing Choice Voucher Program Instead of the Current 50th Percentile FMRs” on June 16, 2016 (81 FR 39218) that proposes to revise the 50th percentile FMR regulation and replace it with a Small Area FMR based regulation for certain areas.

Two of these proposed Small Area FMR areas will start the three year 50th percentile FMR period in FY 2017 (Bergen-Passaic, NJ and San Diego-Carlsbad-San Marcos, CA) while the third area to begin use of 50th percentile FMRs in FY 2017 (Spokane, WA) is not currently proposed to be a Small Area FMR Area. HUD is specifically seeking comment from these three new 50th percentile areas as to whether being elevated to a 50th percentile area in the FY 2017 FMRs would create operational challenges under HUD’s proposed Small Area FMR rule. HUD

also request comments on whether the PHAs within these 50th percentile areas would consider requesting a waiver for exemption from 50th percentile status in FY 2017 as a way to address these challenges.

III. FMR Methodology

This section provides a brief overview of how HUD computes the FY 2017 FMRs. For complete information on how HUD determines FMR areas, and on how HUD derives each area's FMRs, see the online documentation at <http://www.huduser.gov/portal/datasets/fmr/fmrs/docsys.html&data=fmr17>.

HUD bases the FY 2017 FMRs on the updated metropolitan area definitions published by OMB on February 28, 2013. HUD has not implemented any geography changes for FY 2017; however, several areas have been renamed to avoid confusion. For example, the Morristown, TN HUD Metro FMR Area (HMFA) has been renamed to the Grainger County, TN HMFA to avoid confusion with Morristown, TN MSA. Similarly, HUD has not included any method changes to the calculation of FY 2017 FMRs from what was used in the Final FY 2016 FMRs beyond updates to use the most current data available. For a complete description of the methods used to calculate FY 2016 FMRs, please see the Final FY 2016 FMR notice, published in the Federal Register on December 11, 2015 (80 FR 77124) and available at https://www.huduser.gov/portal/datasets/fmr/fmr2016f/FY2016_Final_FMRs_preamble.pdf.

A. Base Year Rents

The U.S. Census Bureau released standard tabulations of 5-year ACS data collected between 2010 through 2014 in December of 2015. For FY 2017 FMRs, HUD uses the 2010-2014 5-year ACS data to update the base rents. As in FY 2016, HUD used ACS estimates where the margin of error of the estimate is less than half the size of the estimate itself.

HUD has updated base rents each year based on new 5-year data since FY 2012 for which HUD used 2005-2009 ACS data. HUD is also updating base rents for Puerto Rico FMRs using the 2010-2014 Puerto Rico Community Survey (PRCS); HUD first updated the Puerto Rico base rents in FY 2014 based on 2007-2011 PRCS data collected through the ACS program.

HUD historically based FMRs on gross rents for recent movers (those who have moved into their current residence in the last 24 months) measured directly. However, due to the way Census constructs the 5-year ACS data, HUD developed a new method for calculating recent-mover FMRs in FY 2012. As in FY 2012, HUD assigns all areas a base rent, which is the two-bedroom standard quality 5-year gross rent estimate from the ACS. Because HUD's regulations mandate that FMRs must be published as recent mover gross rents, HUD continues to apply a recent mover factor to the standard quality base rents assigned from the 5-year ACS data. The calculation of the recent mover factor is described below.

B. Recent Mover Factor

Following the assignment of the standard quality two-bedroom rent described above, HUD applies a recent mover factor to these rents. The calculation of the recent mover factor for FY 2017 is updated to use 2014 ACS data but otherwise remains unchanged from the method used in FY 2016.

In general, HUD uses the 1-year ACS-based two-bedroom recent mover gross rent estimate from the smallest geographic area encompassing the FMR area for which the estimate is statistically reliable to calculate the recent mover factor.² HUD calculates some areas' recent mover factors using data collected just for the FMR area. As in FY 2016, HUD bases other areas' recent mover factors on larger geographic areas if this is necessary to obtain statistically

² For the purpose of the recent mover factor calculation, statistically reliable is where the recent mover gross rent has a margin of error that is less than half the estimate.

reliable estimates. For metropolitan areas that are subareas of larger metropolitan areas, the order is FMR area, metropolitan area, aggregated metropolitan parts of the state, and state. Metropolitan areas that are not divided follow a similar path from FMR area, to aggregated metropolitan parts of the state, to state. In nonmetropolitan areas HUD bases the recent mover factor on the FMR area, the aggregated non-metropolitan parts of the state, or if that is not available, on the basis of the whole state. HUD calculates the recent mover factor as the percentage change between the 5-year 2010-2014 standard quality two-bedroom gross rent and the 1 year 2014 recent mover two-bedroom gross rent for the recent mover factor area. HUD does not allow recent mover factors to lower the standard quality base rent; therefore, if the 5-year standard quality rent is larger than the comparable 1-year recent mover rent, the recent mover factor is set to 1. The process for calculating each area's recent mover factor is detailed in the FY 2017 FMR documentation system available at:

<http://www.huduser.gov/portal/datasets/fmr/fmrs/docsys.html&data=fmr17>. Applying the recent mover factor to the standard quality base rent produces an "as of" 2014 recent mover two-bedroom base gross rent for the FMR area.

C. Other Rent Survey Data

HUD calculated base rents for the insular areas using the 2010 decennial census of American Samoa, Guam, the Northern Mariana Islands, and the Virgin Islands beginning with the FY 2016 FMRs.³ This 2010 base year data was updated to 2013 for the FY 2016 FMRs and is updated through 2014 for the FY 2017 FMRs using national ACS data.

³ The ACS is not conducted in the Pacific Islands (Guam, Northern Marianas and American Samoa) or the US Virgin Islands. As part of the 2010 Decennial Census, the Census Bureau conducted "long-form" sample surveys for these areas. The results gathered by this long form survey have been incorporated into the FY 2017 FMRs.

HUD does not use the ACS as the base rent or recent mover factor for 12 areas where the FY 2017 FMR was adjusted based on survey data collected in 2012 for Hood River County, OR, Mountrail County, ND, Ward County, ND, and Williams County, ND,⁴ survey data collected in 2014 for Bennington County, VT, Windham County, VT, Windsor County, VT, and Seattle, WA, survey data from 2015 for Portland, OR, Oakland, CA, and survey data from 2016 for Burlington, VT and San Francisco, CA.⁵

D. Updates from 2014 to 2015 and Forecast to April 2017

HUD updates the ACS-based “as of” 2014 rent through the end of 2015 using the annual change in CPI from 2014 to 2015. As in previous years, HUD uses local CPI data coupled with Consumer Expenditure Survey (CEX) data for FMR areas with at least 75 percent of their population within Class A metropolitan areas covered by local CPI data. HUD uses Census region CPI data for FMR areas in Class B and C size metropolitan areas and nonmetropolitan areas without local CPI update factors. Additionally, HUD is using CPI data collected locally in Puerto Rico as the basis for CPI adjustments from 2014 to 2015 for all Puerto Rico FMR areas. Following the application of the appropriate CPI update factor, HUD trends the estimate from 2015 to be as of FY 2017 using forecasts of expected growth in gross rents. In the Final FY 2016 FMRs, HUD used a national forecast of expected changes in gross rents between 2014 and FY 2016. For FY 2017 FMRs, HUD continues to use a national forecast of expected changes in gross rents from 2015 to FY 2017.

E. Bedroom Rent Adjustments

⁴ Surveys conducted in 2012 will be superseded for FMR base rent purposes with the FY2018 FMRs.

⁵ Similar to FY 2016, HUD has not allocated funds to conduct FMR area surveys in FY 2017. Therefore, areas wishing to conduct local surveys for the purposes of revising FMRs will have to fund those surveys locally as well.

HUD calculates the primary FMR estimates for two-bedroom units. This is generally the most common sized rental unit and, therefore, the most reliable to survey and analyze. Formerly, after each Decennial Census, HUD calculated rent relationships between two-bedroom units and other unit bedroom counts and used them to set FMRs for other units. HUD did this because it is much easier to update two-bedroom estimates and to use pre-established cost relationships with other unit bedroom counts than it is to develop independent FMR estimates for each unit bedroom count. When calculating FY 2013 FMRs, HUD updated the bedroom ratio adjustment factors using 2006-2010 5-year ACS data. The bedroom ratio methodology used in this update was the same methodology that was used when calculating bedroom ratios using 2000 Census data. The bedroom ratios HUD used in the calculation of FY 2017 FMRs have been updated using average data from three five-year ACS data series (2008-2012, 2009-2013 and 2010-2014).

HUD establishes bedroom interval ranges based on an analysis of the range of such intervals for all areas with large enough samples to permit accurate bedroom ratio determinations. HUD sets these ranges as follows: efficiency FMRs are constrained to fall between 0.63 and 0.83 of the two-bedroom FMR; one-bedroom FMRs must be between 0.75 and 0.87 of the two-bedroom FMR; three-bedroom FMRs must be between 1.15 and 1.34 of the two-bedroom FMR; and four-bedroom FMRs must be between 1.28 and 1.64 of the two-bedroom FMR. (HUD sets these upper limits for the three-bedroom and four-bedroom FMR ratios without regard to the adjustments discussed in the next paragraph.) HUD adjusts bedroom rents for a given FMR area if the differentials between bedroom-size FMRs were inconsistent with normally observed patterns (i.e., efficiency rents are not allowed to be higher than one-bedroom rents and four-bedroom rents are not allowed to be lower than three-bedroom rents). The bedroom ratios for Puerto Rico follow these constraints.

HUD further adjusts the rents for three-bedroom and larger units to reflect HUD's policy to set higher rents for these units. This adjustment is intended to increase the likelihood that the largest families, who have the most difficulty in leasing units, will be successful in finding eligible program units. The adjustment adds 8.7 percent to the unadjusted three-bedroom FMR estimates and adds 7.7 percent to the unadjusted four-bedroom FMR estimates. HUD derives FMRs for unit bedroom counts larger than four by adding 15 percent to the four-bedroom FMR for each extra bedroom. For example, the FMR for a five-bedroom unit is 1.15 times the four-bedroom FMR, and the FMR for a six-bedroom unit is 1.30 times the four-bedroom FMR. FMRs for single-room occupancy units are 0.75 times the zero-bedroom (efficiency) FMR⁶.

For low-population, nonmetropolitan counties with small or statistically insignificant data for any two of the three 5-year ACS standard quality rents series used in the average, HUD uses state non-metropolitan data to determine bedroom ratios for each unit bedroom count. HUD made this adjustment to protect against unrealistically high or low FMRs due to insufficient sample sizes.

IV. Manufactured Home Space Surveys

The FMR HUD uses to establish payment standard amounts for the rental of manufactured home spaces in the HCV program is 40 percent of the FMR for a two-bedroom unit.⁷ HUD will consider modification of the manufactured home space FMRs where public comments present statistically valid survey data showing the 40th-percentile manufactured home space rent (including the cost of utilities) for the entire FMR area.

⁶ As established in the interim rules implementing the provisions of the Quality Housing and Work Responsibility Act of 1998 (Title V of the FY 1999 HUD Appropriations Act; Pub. L. 105-276. In 24 CFR 982.604.

⁷ In the HCV program, a family which owns a manufactured home may use their voucher to subsidize the rent of a plot of land within a manufactured home park designed for the accommodation of a single manufactured home.

All approved exceptions to these rents that were in effect in FY 2016 were updated to FY 2017 using the same data used to estimate the HCV program FMRs. If the result of this computation was higher than 40 percent of the new two-bedroom rent, the exception remains and is listed in Schedule D online. The FMR area definitions HUD establishes for the rental of manufactured home spaces are the same as the area definitions established for the other FMRs.

V. Small Area Fair Market Rents

PHAs in the Dallas, TX HUD Metro FMR Area (HMFA), continue to use Small Area Fair Market Rents (SAFMRs) per the terms of court entered settlement. These FMRs are listed in the Schedule B addendum. PHAs who had been participating in HUD's SAFMR Demonstration may request a waiver of HUD's existing payment standard regulations to continue to use Small Area FMRs after the expiration of their demonstration agreements. HUD will work with these PHAs to effectuate the required waivers.

HUD calculates SAFMRs using a rent ratio determined by dividing the median gross rent across all bedrooms for the small area (a ZIP code) by the similar median gross rent for the metropolitan area of the ZIP code. In small areas where the median gross rent is not statistically reliable, HUD substitutes the median gross rent for the county containing the ZIP code in the numerator of the rent ratio calculation. HUD multiplies this rent ratio by the current two-bedroom rent for the entire metropolitan area containing the small area to generate the current year two-bedroom rent for the small area. As in FY 2016, HUD continues to use a rolling-average of ACS data in calculating the Small Area FMR rent ratios. The Department believes coupling the most current data with previous year's data minimizes excessive year-to-year variability in Small Area FMR rent ratios due to sampling variance. Therefore, for FY 2017

SAFMRs, HUD has updated the rent ratios to use an average of the rent ratios calculated from the 2008-2012, 2009-2013, and 2010-2014 5-year ACS estimates.

VI. Request for Public Comments

HUD is seeking public comments on the methods it uses to calculate FY 2017 FMRs including Small Area FMRs, and FMR levels for specific areas. Due to its current funding levels, HUD no longer has sufficient resources to conduct local surveys of rents to address comments filed regarding the FMR levels for specific areas. HUD continually strives to calculate FMRs that meet the statutory requirement of using “the most recent available data” while also serving as an effective program parameter.

While HUD is making no changes in the methodology used to estimate the FY 2017 FMRs from the methods HUD used in calculating the FY 2016 FMRs, HUD is interested in making improvements in FMR estimation methods in the future. As noted earlier, the FMR procedures enacted in Section 8(c)(1)(B) of HOTMA require that HUD publish a notice in the Federal Register seeking comment on any proposed “material changes” in methodology. In this notice, HUD requests public comment on what should be considered “material changes” in FMR estimation methods for purposes of triggering public notice and comment under HOTMA. For example, on the assumption that any change in the FMR estimation method must necessarily change at least some FMR values from what they would otherwise be, and that such changes have the potential to change subsidy levels for voucher tenants to the extent they are fully accounted for in payment standard adjustments, what level of potential subsidy redistribution caused by a change in FMR estimation methods should HUD consider “material” prior to implementing such changes? What other effects of changes in FMR estimation methods should HUD consider in determining whether such changes are “material?” Examples might include the

number of FMR areas affected by the proposed change, or the number of areas whose FMRs would change beyond a particular threshold such as 10 percent. Should HUD consider any and all changes made to the FMR estimation methods to rise to the level of a material change? If so, would this be consistent with the purpose of Section 8(c)(1)(B) of HOTMA?

HUD anticipates publishing a Federal Register notice with responses to comments on this notice including responses to what is considered “material changes” in methodology along with proposed material changes to be implemented for the FY 2018 FMRs following a review of the comments on this notice.

V. Requests for FMR Reevaluations

As amended by HOTMA, Section 8(c)(1)(B) states, in part that HUD “shall establish a procedure for PHAs and other interested parties to comment on such fair market rentals and to request, within a time specified by the Secretary, reevaluation of the fair market rentals in a jurisdiction before such rentals become effective.” PHAs or other interested parties interested in requesting HUD reevaluation of its FY 2017 FMRs must follow the following procedures:

1. By the end of the comment period, such reevaluation requests must be submitted publicly through www.regulations.gov or directly to HUD as described above. PHAs representing at least half of the voucher tenants in multijurisdictional FMR areas must agree that the re-evaluation is necessary.
2. In order for a reevaluation to occur, the requestor(s) must supply HUD with data more recent than the 2014 American Community Survey data using the survey guidance available at <https://www.huduser.gov/portal/datasets/fmr/NoteRevisedAreaSurveyProcedures.pdf> and

<https://www.huduser.gov/portal/datasets/fmr/PrinciplesforPHA-ConductedAreaRentSurveys.pdf>.

3. On or about October 3, HUD will post a list, at <https://www.huduser.gov/portal/datasets/fmr.html>, of the areas requesting reevaluations and where FY 2016 FMRs remain in effect.
4. Data for reevaluations must be supplied to the Department by Friday January 6, 2017. On Monday January 9, 2017, HUD will post at <https://www.huduser.gov/portal/datasets/fmr.html> a list of areas failing to deliver data and making the FY 2017 FMRs effective in these areas.
5. HUD will use the data delivered by January 6, 2017 to reevaluate the FMRs and following the reevaluation, will post revised FMRs with an accompanying Federal Register notice stating the revised FMRs are available and the effective date of the FMRs for these jurisdictions. Such notice will include HUD responses to comments filed during the comment period on FY2017 FMRs if no intervening “Notice of Proposed Material Change” has been published.
6. Any data supporting a change in FMRs supplied after January 6, 2017, or that was not submitted in connection with a request for reevaluation of the FY2017 FMRs for an area, will be incorporated into FY 2018 FMRs.

Questions on how to conduct FMR surveys may be addressed to the individuals listed in the FOR FURTHER INFORMATION section of this notice. Data submissions for FMR reevaluations must include a full description of the rental housing survey method used to ensure that the data comply with HUD’s rental housing survey guidance.

For small metropolitan areas without one-year ACS data and nonmetropolitan counties, HUD has developed a method using mail surveys that is discussed on the FMR web page: <https://www.huduser.gov/portal/datasets/fmr.html#fmrsurvey>. This method allows for the collection of as few as 100 one-bedroom, two-bedroom and three-bedroom recent mover (tenants that moved in last 24 months) units.

While HUD has not developed a specific method for mail surveys in areas with 1-year ACS data, HUD would apply the standard established for Random-Digit Dialing (RDD) telephone rent surveys. HUD will evaluate these survey results to determine whether they would establish a new FMR statistically different from the current FMR, which means that the survey confidence interval must not include the FMR. The survey should collect results based on 200 one-bedroom and two-bedroom eligible recent mover units to provide a small enough confidence interval for significant results in large market mail surveys. Areas with statistically reliable 1-year ACS data generally are not considered to be good candidates for local surveys due to the size and completeness of the ACS process.

Other survey methods are acceptable in providing data to support reevaluation requests if the survey method can provide statistically reliable, unbiased estimates of the gross rent of the entire FMR area. In general, recommendations for FMR changes and supporting data must reflect the rent levels that exist across all rental units within the entire FMR area and should be statistically reliable.

PHAs in nonmetropolitan areas may, in certain circumstances, conduct surveys of groups of counties. HUD must approve all county-grouped surveys in advance. PHAs are cautioned that the resulting FMRs may not be identical for the counties surveyed; each individual FMR area will have a separate FMR based on the relationship of rents in that area to the combined

rents in the cluster of FMR areas. In addition, PHAs are advised that in counties where FMRs are based on the combined rents in the cluster of FMR areas HUD will not revise their FMRs unless the grouped survey results show a revised FMR statistically different from the combined rent level.

Survey samples should preferably be randomly drawn from a complete list of rental units for the FMR area. If this is not feasible, the selected sample must be drawn to be statistically representative of the entire rental housing stock of the FMR area. Surveys must include units at all rent levels and be representative by structure type (including single-family, duplex, and other small rental properties), age of housing unit, and geographic location. The current 5-year ACS data should be used as a means of verifying if a sample is representative of the FMR area's rental housing stock.

A PHA or contractor that cannot obtain the recommended number of sample responses after reasonable efforts should consult with HUD before abandoning its survey; in such situations, HUD may find it appropriate to relax normal sample size requirements.

The Department has developed guidance on how to provide data-supported comments on or requests for reevaluation of Small Area FMRs using HUD's special tabulations of the distribution of gross rents by bedroom unit size for ZIP Code Tabulation Areas. This guidance is available at <http://www.huduser.gov/portal/datasets/fmr.html> in the FY 2017 FMR section and should be used by interested parties in commenting on whether or not the level of Small Area FMRs are too high or too low (i.e. Small Area FMRs that are larger than the gross rent necessary to make 40 percent of the units accessible for an individual zip code or that are smaller than the gross rent necessary to make 40 percent of the units accessible for a given zip code). HUD will post revised Small Area FMRs after confirming commenters calculations.

HUD will consider increasing manufactured home space FMRs where public comment demonstrates that 40 percent of the two-bedroom FMR is not adequate. In order to be accepted as a basis for revising the manufactured home space FMRs, comments must include a pad rental survey of the mobile home parks in the area, identify the utilities included in each park's rental fee, and provide a copy of the applicable public housing authority's utility schedule.

As stated earlier in this notice, HUD is required to use the most recent data available when calculating FMRs. Therefore, in order to re-evaluate an area's FMR, HUD requires more current rental market data than the 2014 ACS. HUD encourages a PHA or other interested party that believes the FMR in their area is incorrect to file a comment even if they do not have the resources to provide market-wide rental data. In these instances, HUD will use the comments, should survey funding be restored, when determining the areas HUD will select for HUD-funded local area rent surveys.

VII. Environmental Impact

This Notice involves the establishment of fair market rent schedules, which do not constitute a development decision affecting the physical condition of specific project areas or building sites. Accordingly, under 24 CFR 50.19(c)(6), this Notice is categorically excluded from environmental review under the National Environmental Policy Act of 1969 (42 U.S.C. 4321).

Accordingly, the Fair Market Rent Schedules, which will not be codified in 24 CFR part 888, are available at <https://www.huduser.gov/portal/datasets/fmr.html>:

Dated: August 19, 2016

Matthew E. Ammon
Deputy Assistant Secretary for Policy
Development and Research

[FR-5962-N-01]

Fair Market Rents for the Housing Choice Voucher Program

Schedules B and D--General Explanatory Notes

1. Geographic Coverage

a. **Metropolitan Areas** -- Most FMRs are market-wide rent estimates that are intended to provide housing opportunities throughout the geographic area in which rental-housing units are in direct competition. HUD is using the metropolitan Core-Based Statistical Areas (CBSAs), which are made up of one or more counties, as defined by the Office of Management and Budget (OMB), with some modifications. HUD is generally assigning separate FMRs to the component counties of CBSA Micropolitan Areas.

b. **Modifications to OMB Definitions** -- Following OMB guidance, the estimation procedure for the FY 2017 FMRs incorporates the OMB definitions of metropolitan areas based on the CBSA standards as implemented with 2000 Census data and updated by the 2010 Census in February 28, 2013. The adjustments made to the 2000 definitions to separate subparts of these areas where FMRs or median incomes would otherwise change significantly are continued. To follow HUD's policy of providing FMRs at the smallest possible area of geography, no counties were added to existing metropolitan areas due to recent updates in metropolitan area definitions. All counties added to metropolitan areas will still be treated as separate counties. All metropolitan areas that have at least one subarea will also receive a subarea, that is the rents from a county that is a subarea will not be used for the remaining metropolitan subarea rent determination.

The specific counties and New England towns and cities within each state in MSAs and HMFAs were not changed by the February 28, 2013 OMB metropolitan area definitions. These

areas are listed in Schedule B, available online at <https://www.huduser.gov/portal/datasets/fmr.html>.

2. Unit Bedroom Count Adjustments

Schedule B, available at <https://www.huduser.gov/portal/datasets/fmr.html> shows the FMRs for zero-bedroom through four-bedroom units. The Schedule B addendum shows Small Area FMRs for all PHAs operating using Small Area FMRs (please see section V of this notice for a list of participating PHAs). The FMRs for unit sizes larger than four bedrooms may be calculated by adding 15 percent to the four-bedroom FMR for each extra bedroom. For example, the FMR for a five-bedroom unit is 1.15 times the four-bedroom FMR, and the FMR for a six-bedroom unit is 1.30 times the four-bedroom FMR. FMRs for single-room-occupancy (SRO) units are 0.75 times the zero-bedroom FMR.

3. Arrangement of FMR Areas and Identification of Constituent Parts

a. The FMR areas in the online Schedule B are listed alphabetically by metropolitan FMR area and by nonmetropolitan county within each state. The exception FMRs for manufactured home spaces in Schedule D, available at <https://www.huduser.gov/portal/datasets/fmr.html>, are listed alphabetically by state.

b. The constituent counties (and New England towns and cities) included in each metropolitan FMR area are listed immediately following the listings of the FMR dollar amounts. All constituent parts of a metropolitan FMR area that are in more than one state can be identified by consulting the listings for each applicable state.

c. Two nonmetropolitan counties are listed alphabetically on each line of the non-metropolitan county listings.

d. The New England towns and cities included in a nonmetropolitan county are listed immediately following the county name.

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