CLPHA

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EXECUTIVE DIRECTOR
SUNIA ZATERMAN

July 24, 2023

Regulations Division
Office of General Counsel
Department of Housing and Urban Development
451 7th Street SW, Room 10276
Washington, DC 20410-0500

RE: [Docket No. FR-6401-N-01] Proposed Changes to the Methodology Used for Calculating Fair Market Rents

To Whom It May Concern:

The Council of Large Public Housing Authorities (CLPHA) is a non-profit organization that works to preserve and improve public and affordable housing through advocacy, research, policy analysis, and public education. We support the nation's largest and most innovative public housing authorities (PHAs) by advocating for the resources they need to solve local housing challenges and create communities of opportunity. Our members own and manage nearly half of the nation's public housing program, administer a quarter of the Housing Choice Voucher (HCV) program, and operate a wide array of other housing programs.

We appreciate the opportunity to submit comments to the United States Department of Housing and Urban Development (HUD or the Department) in response to the notice titled "Proposed Changes to the Methodology Used for Calculating Fair Market Rents" published in the Federal Register on June 23, 2023.

BACKGROUND

HUD publishes Fair Market Rents (FMRs) annually, which are a per unit estimate of the amount of money that would cover gross rents (rent and utility expenses) on 40 percent of the rental housing units in an area. For FY2023, HUD changed its inflation-adjustment methodology to incorporate rental data from private companies to better capture local rent inflation. HUD is proposing two material changes to the calculation of FMRs. The first would be a change in the definition of a "recent mover" to represent the maximum length of time for a household to have lived in its current unit and still be considered a recent mover from 23 months to 11 months. The second would be to retain and expand the use of rent inflation factors calculated by private sector sources as was first introduced for FY2023 FMRs.

Continue Use of Private Rental Data Sources to Calculate FMRs

CLPHA and its members have expressed concern for years to HUD that its FMR calculations have not accurately reflected gross rents, particularly in high-cost areas and/or in markets experiencing rapidly rising costs. In prior years, HUD's proposed FMRs revealed high variability from year-to-year largely because of lags in processing American Communities Survey (ACS) data. Most ACS-based FMR estimates are put into effect two or three years after the data is collected. Likewise, HUD described in a 2018 report how the three components of the traditional FMR calculation methodology – trend factors, inflation factors, and gross rents – may lead to inaccurate FMRs.

CLPHA supports HUD's decision to change its methodology to continue its use of private sector rental data from multiple sources in the FMR calculation process, as CLPHA has recommended for many years that HUD should incorporate the use of commercial data to obtain more accurate gross rents. While many factors affect the voucher utilization rate, declining vacancy rates and sharply rising rents have made it more difficult for low-income households to use vouchers. Calculating future FMRs with this methodological change can ensure that FMRs accurately reflect recent, steep rent increases in many communities and will make it easier for households in those communities to use their vouchers to rent affordable homes.

Conduct Longitudinal Study to Observe Efficacy of FMR Calculation Methodology
HUD states in its proposal that recent research into measures the Department traditionally used to track rent inflation (new tenant Consumer Price Index) closely tracks with the reported rent inflation produced by CoreLogic and Zillow. While these findings are promising, CLPHA urges HUD to conduct a longitudinal study to observe the efficacy of FMR calculation methods with the introduction of private sector rental data.

Provide Additional Funding for FMR Reevaluations
Even though many CLPHA members observed over a 10 percent increase in FY2023 FMRs, some reported these increases were insufficient to meet current rental market conditions. Although the introduction of private sector rental data may be helping to reflect more current market conditions, there may still be a lag in rates as rental markets continue to change quickly across the country.

As provided under Section 8(c)(1)(B) of the U.S. Housing Act of 1937, as amended by the Housing Opportunity through Modernization Act (HOTMA), a PHA or other interested party may request HUD conduct a reevaluation of its FMRs. Like years past, HUD is requiring that PHAs assume the financial burden for conducting costly and time-consuming independent surveys to collect more recent rental cost data. CLPHA resubmits our prior comments that advises HUD to provide additional funding for FMR reevaluations. PHAs should not be required to undertake costly and time-consuming rental cost surveys to address HUD's calculation methodology.

Reconsider Use of 40th Percentile Rent Limits
FMRs are based on the 40th percentile of rents charged for standard rental housing in the FMR area. In prior years, payment standards based on the 50th percentile were made available to PHAs in FMR areas where higher payment standards are necessary to increase housing choices throughout a metropolitan area. CLPHA believes that basing rents on the 40th percentile does not adequately reflect rental market conditions, limits housing options for voucher holders, and is inconsistent with HUD's directive to affirmatively further fair housing.

If voucher holders are unable to secure rental housing at HUD's 40th percentile rent limits, PHAs should have the discretion and flexibility to incorporate the use of 50th percentile rent levels to advance access to a broader range of housing opportunities throughout a metropolitan area. Several large housing authorities are located in areas with worsening affordability issues. Use of the 40th

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percentile limits the ability of many voucher holders to access high-opportunity neighborhoods and contributes to concentrated poverty.

Simplify the Process for Establishing Payment Standards Between 110 and 120 Percent
HUD has several regulatory options available to PHAs to adjust their payment standards beyond 110% of the Fair Market Rent (FMR) and Small Area Fair Market Rent (SAFMR). Specifically, the CARES Act waivers allowed PHAs the option to (1) increase the payment standard for a family at any time after the effective date of the increase, rather than waiting for the next regular reexamination, and (2) establish payment standards from 111 to 120 percent of the applicable FMR. These options granted our members the vital flexibility to adjust program practices where necessary so that they could prioritize mission-critical functions. CLPHA urges HUD to make these flexibilities permanent to equip PHAs with the tools necessary to quickly adjust to rapidly changing rental market conditions.

Thank you for the opportunity to submit these comments.

Sincerely,

Sunia Zaterman

Sunia Zaterman
Executive Director