CLPHA

455 Massachusetts Ave NW | Suite 425
Washington, DC 20001
202.638.1300 | clpha.org

EXECUTIVE DIRECTOR
SUNIA ZATERMAN

October 3, 2022

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–6343–N–01] Fair Market Rents for the Housing Choice Voucher Program, Moderate Rehabilitation Single Room Occupancy Program, and Other Programs Fiscal Year 2023

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 "Fair Market Rents for the Housing Choice Voucher Program, Moderate Rehabilitation Single Room Occupancy Program, and Other Programs Fiscal Year 2023" published in the Federal Register on September 1, 2022.

Background

Every year, HUD calculates and sets Fair Market Rents (FMRs) that go into effect on October 1st for many HUD programs. FMRs are an estimate of the amount of money that households need to cover gross rents (combined rent and utility expenses) to rent 40 percent of the rental housing units in their community or more commonly known as "40th Percentile Rents". In prior years, HUD has calculated FMRs using a seven-step process that incorporates rental data from the American Community Survey (ACS) to estimate recent mover rents.

Late last year, the Census Bureau announced that it would not publish 1-year ACS data due to the impacts of the COVID-19 pandemic on data collection and concerns with data integrity. For FY2023, HUD is implementing a longstanding CLPHA recommendation to incorporate the use of private sector rental data to address the temporary data availability challenge and to better align FMRs with rental market conditions. Because rents have risen so quickly during the pandemic, HUD stated that FY2023 FMRs will increase by an average of 10 percent, but metros with recent large rent spikes will observe much greater FMR increases. This trend has been observed among CLPHA members where FY2023 FMRs have increased 10 percent from FY2022, with some areas experiencing growth rates up to 19 percent.

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 great variability from year-to-year largely because of lags in processing 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.

HUD should utilize private data sources in its methodology for calculating FMRs in FY2023 and in subsequent FMR calculations after FY2023.

Voucher holders are increasingly unable to find units available to rent within HUD payment standards as determined by FMRs. According to the HCV Data Dashboard as of July 2022, HCV voucher utilization rates nationally are lagging at 95.35% (measured as a percentage of HCV budget authority), with 114,612 households actively searching for an affordable rental home. CLPHA members report efforts to streamline their HCV leasing processes to remove potential barriers to its renters like expediting voucher issuance and unit inspections and providing leasing supports like security and utility deposits and relocation assistance. Likewise, many CLPHA members have implemented HUD's temporary waiver to establish payment standards from 111 to 120 percent of the applicable FMR to be able to quickly respond to rapidly changing rental market conditions. However, despite their best efforts, CLPHA members are finding that voucher holders need at least six months to secure a decent, affordable housing unit given the tight rental market conditions. The compounding impact of inaccurate FMRs cannot be ignored.

CLPHA supports HUD's decision to change its methodology to introduce six private sector rental data from multiple sources into 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 the FY2023 FMRs with the 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.

HUD should observe impacts of the use of private sector rental data beyond FY2023 and transparently report on its use in FMR calculations.

CLPHA recommends that HUD extend its use of private sector rental data in subsequent FMR calculations after FY2023 to observe the long-term advantages of incorporating private sector rental data into its FMR calculation methodology. While it is apparent that the incorporation of private sector rental data has helped inflate national FMRs by at least 10 percent from FY2022, HUD's explanation of FMR methodology detailed in the federal register notice [FR–6343–N–01] does not describe the incidence of its use in determining an area's FY2023 FMRs. The Department indicates that it "calculated the 2019-2020 gross rent change in different ways depending on the availability of data." In areas where private sector rental data provided sufficient coverage (from 3 or more sources), HUD used a composite of private sector and Consumer Price Index (CPI) inflation measures. However, for areas without private data coverage, HUD used 2019-2020 gross rent CPI change. The variability in HUD's use of private sector rental data makes it difficult to comment on the accuracy of private sources in estimating rental market changes.

To observe the impacts of the use of private sector rental data, CLPHA recommends that HUD publish a report documenting FY2023 FMRs that were adjusted using private sector rental data and the specific sources cited in its calculation. To evaluate the accuracy of private sector rental data sources in subsequent years, HUD should continue its use of private sector rental data to compare against future ACS data sets once available again.

CLPHA

455 Massachusetts Ave NW | Suite 425
Washington, DC 20001
202.638.1300 | clpha.org

EXECUTIVE DIRECTOR
SUNIA ZATERMAN

HUD should provide additional funding for FMR reevaluations.

As provided under Section 8(c)(1)(B) of the U.S. Housing Act, 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.

While CLPHA understands that HUD's FY2023 FMRs represent a national increase of approximately 10 percent from FY2022, some CLPHA members continue to report that FY2023 FMRs are insufficient to meet rapidly increasing rental housing costs in their communities. A recent poll of CLPHA members revealed that **66 percent of respondents believe that FY2023 FMRs are not sufficient to meet rental market demands, with five PHA respondents stating that they intend to submit a request to HUD for a FMR reevaluation**.

CLPHA resubmits our prior comments submitted in 2019 and 2020 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.

HUD should reconsider its use of 40th Percentile Rent Limits.

FMRs are based on 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. Although there are no longer 50th percentile FMRs, PHAs may apply for success rate payment standards, which allow for setting payment standards using the 50th percentile of rent as defined in 24 CFR 982.503(e). However, the process to apply for success rate payment standards is cumbersome and narrowly confined to PHAs that meet the following stringent criteria:

- Voucher leasing success rate of less than 75 percent;
- PHA has established payment standard at 110 percent of the published FMR for at least a 6-month period prior to request made to HUD; and
- HUD may consider a PHAs SEMAP performance rating and if the PHA scored the maximum number of points on the deconcentration bonus indicator in the prior year, or in two of the last three years.

CLPHA

455 Massachusetts Ave NW | Suite 425
Washington, DC 20001
202.638.1300 | clpha.org

EXECUTIVE DIRECTOR
SUNIA ZATERMAN

According to HUD, 351 PHAs have requested a HUD waiver to establish payment standards from 111 to 120 percent of the applicable FMR. Given the large uptick of these requests, CLPHA recommends that HUD reduce the administrative burden created by requiring PHAs to meet the stringent requirements above to seek HUD Field Office approval for success payment standards.

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 in areas with worsening affordability issues. Use of the 40th percentile limits the ability of many voucher holders to access high-opportunity neighborhoods and contributes to concentrated poverty.

Thank you for the opportunity to submit these comments.

Sincerely,

Sunia Zaterman

Sunia Zaterman
Executive Director