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CLPHA

Strengthening Neighborhoods. Improving Lives.

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Regulations Division
Office of General Counsel
US Department of Housing and Urban Development
451 7th Street SW, Room 10276
Washington, DC 20410-7000

Re: [Docket No. FR-6099-N-01] Section 8 Housing Assistance Payments Program – Fiscal Year 2018 Inflation Factors for Public Housing Agency Renewal Funding

To Whom It May Concern:

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 housing authorities 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 on the use of PHA-sponsored rent surveys as well as proposed changes to the RFIF calculations.

Until HUD can identify a more accurate method for calculating FMRs, HUD should continue with current policy and survey-based FMRs should be used in the RFIF calculation when available.

When FMRs do not accurately reflect local rental prices, this discrepancy has significant consequences for a PHA and its residents. If coupled with an inadequate inflation rate, PHAs may be forced to reduce voucher utilization if they do not have sufficient funds. For non-MTW PHAs, they may also be using voucher payment standards that are not consistent with local rents, which can result in fewer households successfully using their voucher, particularly in higher opportunity areas. This means that non-MTW agencies may experience a shortfall if steps are not taken to avoid it, and both MTW and non-MTW agencies may also fail to meet their obligations to affirmatively further fair housing.

Reducing inflation factors in areas experiencing large increases in FMR to avoid negative inflation factors for those with decreasing FMRs is also an equity issue.

In the notice, HUD describes PHAs using rent surveys to achieve higher FMRs and inflation factors year by year as inequitable for those PHAs who do not sponsor local rent surveys. While this issue could be solved through a more accurate FMR estimation or reimbursement of survey costs, a second equity issue exists in that the current practice of weighting inflation factors is inequitable for PHAs experiencing large annualized changes in FMR. The inflation factor should be commensurate to the change in FMR to ensure that the PHA can maintain a high utilization rate. While no PHA should be subjected to a negative inflation factor, flat funding for PHAs experiencing decreased FMRs would allow for closer to full inflation rates among PHAs in areas with large positive changes in FMR. This approach would reduce mismatch between inflation rates and annualized FMR changes and address an important funding issue that can negatively impact utilization rates.

The third and fourth options proposed by HUD raise concerns and require additional explanation and study.

The third option proposes using annualized changes in ACS gross rent data in the RFIF calculation after the first year following the rent survey. An advantage of this approach is that it uses a measure of year- to year change from the same data source in subsequent years, reducing concerns about outdated data. However, it may be problematic to decouple published FMRs from the RFIF calculation, as the RFIF will continue to be based on inaccurately low rental costs while FMRs and corresponding payment standards are tied to higher rental costs.

In using the average annualized change between survey rents and ACS rents, the fourth option raises concerns in that the RFIF would continue to be calculated with, in part, stale ACS data. While it would understandably reduce mismatch between RFIFs as a PHA exits a rent study period, the issue of using inaccurate data remains. Without additional explanation, it is also difficult to adequately evaluate both the third and fourth options, and greater transparency of HUD’s RFIF calculation would allow for more complete analysis of these options.

HUD should continue to allow PHAs to appeal FMRs with rent surveys and resume reimbursement of survey costs.

As described above, accurate FMRs are essential for PHAs to successfully manage their voucher program, and inaccurate FMRs can create several significant challenges. To avoid these issues, PHAs are currently forced to self-fund local rent studies to appeal their FMR if they determine that the FMR is understating rental prices. Using rent studies, CLPHA members have calculated FMRs that are up to 30% higher than FMRs calculated by HUD. These studies may cost anywhere between $30,000 to $100,000, depending on geographic size and the use of survey incentives. Due to the enormity of these costs, an efficient practice used by some members is for all PHAs within a metropolitan area to pool resources for funding a single rent study. Still, the cost of rent studies is prohibitive for other PHAs and may lead some to accept HUD’s FMRs even in the face of evidence that those FMRs are too low. The solution to this inequity is not to discontinue the use of survey-based FMRs in the RFIF calculation. Instead, HUD should renew the practice of reimbursing PHAs for rent studies until a more accurate method for forecasting rents is found and surveys are no longer needed. Housing authority directors have expressed concern about lack of reimbursement to members of Congress; in a recent report accompanying its spending bill, the Senate Appropriations Subcommittee on Transportation, Housing and Urban Development (THUD) directs HUD to study barriers to reimbursement as well as inaccuracies in FMR methodology.

HUD should consider methods for determining FMRs that produce more accurate data.

Implementing a new method for calculating FMRs with more updated data could eliminate the need for PHAs to conduct their own rent studies, and thus also solve the issue of inconsistent RFIFs over time. While still a relatively new method, recent research suggests that using a web scraper to gather rental listings from websites such as Craigslist may hold in promise in calculating more accurate FMRs in areas where rental costs have experienced significant changes in recent years. A recent paper aggregating 11 million Craigslist ads nationally found that 37 percent of the listings were below the corresponding FMR, a figure that is quite close to the expected one of 40 percent.[1] Most rental listings are now posted online, and HUD could explore using rental listings particularly in large MSAs where there is sufficient coverage of online listings. HUD should consider the possibility of moving to such a methodology or release guidance to PHAs who may wish to fund a rent study using scraping methods as a lower-cost alternative to a survey. PHA-sponsored rental surveys using web scraping technology may provide a valuable way to test these new methods and determine their accuracy before national implementation. HUD could encourage exploration of these new methods by providing funding and technical assistance to PHAs interested in employing such methods in a rent survey. But even if HUD develops a more accurate methodology, it is important that HUD maintain a mechanism for PHA feedback on HUD’s methodology. Doing so would allow PHAs to provide real time feedback on impact to their FMRs should it lag behind or be thrown off by local factors.

In addition to the above comments, we express our support for comments submitted by the MTW agencies and note their concerns regarding 40th percentile FMRs. A number of large housing authorities, who are also MTW agencies, are located 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
Executive Director

[1] Boeing, G. and Waddell, P. (2016). New Insights into Rental Housing Markets Across the United states: Web Scraping and Analyzing Rental Listings. *Journal of Planning Education and Research, 37(4),* 457-276.