Small Area Fair Market Rent Demonstration Evaluation

Interim Report

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Prepared for

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Disclaimer

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Housing choice vouchers (HCVs) allow residents to select housing units of their choice, so long as the units meet certain rent and quality parameters. Accordingly, HCVs theoretically offer HCV holders the chance to locate in neighborhoods with high-performing schools, low rates of poverty, and other characteristics associated with opportunity for neighborhood residents. In practice, however, HCV holders are frequently concentrated in high-poverty neighborhoods with limited access to the amenities associated with resident opportunity.

This study examines whether and to what extent changes in how subsidy levels are determined for the HCV program affect HCV holders' access to opportunity. Currently, the subsidy available to HCV holders is based on a single rent standard—the Fair Market Rent (FMR)—set for each metropolitan area (or nonmetropolitan county). The FMR is set by the U.S. Department of Housing and Urban Development (HUD) generally at the 40th percentile of rents of all units in that metropolitan area (or nonmetropolitan county) occupied by renter households that moved to the unit in the past 15 months. FMRs vary by unit size (number of bedrooms), but housing agencies generally have only a limited ability to adjust the maximum subsidy level to reflect differences in rent levels between neighborhoods within their jurisdiction.

Rents tend to be higher in certain neighborhoods than others, and neighborhoods with higher rents tend to have better access to amenities that provide opportunity. For this reason, using a single metropolitanwide standard as the basis for setting the maximum subsidy available to HCV holders makes it difficult for them to access housing in areas of opportunity. Under an FMR-based system, it is much easier for HCV holders to use vouchers in lower-rent areas that generally also have fewer opportunities.

Consequently, one of the central questions that HUD faces in administering the HCV program is how to create a more effective means for HCV holders to move to higher-opportunity areas without significantly raising overall subsidy costs. This question is the primary motivation for the Small Area Fair Market Rent (SAFMR) demonstration. As the name implies, SAFMRs are FMRs set using geographic areas that are much smaller—specifically, by ZIP Codes.

HUD's SAFMR Demonstration

The SAFMR demonstration enables local agencies to increase HCV subsidies in ZIP Codes where rents are higher than the metropolitan-areawide average and decrease HCV subsidies in ZIP Codes where rents are lower. The evaluation examines whether and to what extent this shift from FMRs to SAFMRs helps HCV holders to better access areas of opportunity. The evaluation also examines how this alternative approach affects HCV holders and landlords, as well as HCV subsidy and administrative costs.

To test how SAFMRs may potentially affect a range of public housing agency (PHA) types, HUD selected five PHAs for the demonstration whose conditions differed across various characteristics. The five demonstration PHAs are the Housing Authority of the City of Laredo (Texas), the Town of Mamaroneck Housing Authority (New York), the Chattanooga Housing Authority (Tennessee), the Housing Authority of Cook County (Illinois), and the City of Long Beach Housing Authority (California).

In addition to these five PHAs that agreed to participate in the SAFMR demonstration, this evaluation study also includes 2 (of 12) PHAs in the Dallas, Texas metropolitan area. All metropolitan Dallas PHAs have been using SAFMRs since 2011 as a result of a legal settlement. The 2 PHAs included in the study are the Housing Authority of the City of Dallas, the largest PHA operating in the Dallas metropolitan area, and the Housing Authority of Plano, which serves a smaller number of HCV holders and whose HCV holders are less likely than those of the Dallas PHA to be a racial or ethnic minority.

Evaluating the SAFMR Demonstration

The evaluation study looks at the effects of SAFMRs on the following.

- **Potential Access to Opportunity**. The extent to which SAFMRs change the number of units with rents at levels affordable to HCV holders and the number and share of such units in higher-opportunity areas.
- **Actual Access to Opportunity**. The extent to which HCV holders in SAFMR PHAs are more likely to locate in or move to higher-opportunity areas after implementation of SAFMRs than before.
- **Costs and Rents.** The extent to which subsidy expenditures, administrative expenses, total rent levels, and tenant contributions to rents change after implementation of SAFMRs.

The study also analyzes qualitative information on how the transition from FMRs to SAFMRs may have affected residents and PHAs participating in the evaluation.

SAFMRs were implemented in the Dallas metropolitan area in 2011 and in the five demonstration sites beginning in the fall of 2012. To understand how the introduction of SAFMRs may have affected outcomes, this interim report examines changes over time between 2010 (predemonstration) and 2015. To control for trends that may be unrelated to SAFMRs, the report broadly examines changes over the same time period for a group of comparison PHAs that did not implement SAFMRs.[1] As described below, a second round of data collection and analysis is planned to inform a final report expected in 2018.

Data collection for this interim report included both primary and secondary or administrative sources. To collect primary data, we conducted site visits to each of the seven SAFMR PHAs in May and June 2016. The site visits included one-on-one and group interviews with executive directors and multiple key staff at each location involved in implementing the transition to and administration of SAFMRs. The goal of these visits was to learn about the PHA experience with one-time, transitional, and ongoing administrative efforts and costs related to SAFMRs and to learn about PHA perceptions of the impacts of SAFMRs on HCV holders and landlords.

Secondary and administrative data used in the analysis include metropolitan area FMRs, SAFMRs, ZIP Code tabulations of rent distributions, and administrative Public and Indian Housing Information Center data maintained by HUD. Our analysis also includes two types of neighborhood-level indicators—opportunity measures and neighborhood characteristics.

[1] The final report will have additional comparisons at the aggregate level and for subgroupings of the comparison PHAs, as well as the individual SAFMR PHAs.

Neighborhood-level indicators were drawn from the U.S. Census Bureau's American Community Survey (ACS), the National Center for Education Statistics, local jurisdictions (in the case of crime indicators), and the U.S. Environmental Protection Agency.

Key Findings

The following are the principal findings to date.

Potential Access to Opportunity Following Introduction of SAFMRs

- As expected, SAFMRs increase the pool of units potentially available to HCV holders that rent below the applicable FMR in high-rent ZIP Codes, and they reduce the pool in low-rent ZIP Codes. Under ordinary FMRs, nearly three-fourths of units in low-rent ZIP Codes have gross rents (rent plus utilities) below the FMR, as do slightly more than a one-fourth of units in high-rent ZIP Codes. Under SAFMRs, the availability of units is much more evenly distributed across different types of neighborhoods, leading to increased availability in high-rent ZIP Codes and reduced availability in low-rent ZIP Codes. Roughly one-half of units have rents below the SAFMR in each neighborhood type (high rent, low rent, and moderate rent). As expected, changes in the share of units with rents below the applicable FMR in moderate-rent ZIP Codes are fairly modest.[2]
- However, for the SAFMR PHAs as a whole, the gain in units with rents below the applicable FMR in high-rent ZIP Codes does not offset the decrease in the number of units in the low-rent and moderate-rent ZIP Codes, resulting in a net loss of units potentially available to HCV holders overall. The net effect across all SAFMR PHAs is a loss of over 22,000 units (3.4 percent) that might otherwise be affordable to HCV holders. The net loss of units with rents below the applicable FMR exceeded 10 percent in one site (Long Beach) and was about 4 percent in another (Dallas). Two sites (Cook County and Laredo) experienced a net loss of units of only 1 to 2 percent, and a third (Mamaroneck) experienced no net change. In two sites, more units rented for below SAFMRs than for below the FMR. The net gain in units in Chattanooga was slightly more than 3 percent; and the Plano site, with geography in the higher-rent section of the Dallas HUD Metro FMR area, saw an increase of 26 percent. The size of the net change in units below the applicable FMR in a given geography depends on how rental units are distributed across low-, moderate-, and high-rent ZIP Codes. In general, if fewer rental units (that is, a higher rate of homeownership) are in high-rent ZIP Codes than in low-rent ZIP Codes (that is, a lower rate of homeownership), then there will be fewer units with rent below SAFMR than with rent below the metropolitan area FMR.
- The effects of the shift to SAFMRs on the share of units renting below the applicable FMR varied. In three PHAs, the number of units in ZIP Codes that experienced increases in the applicable FMR was the same or nearly the same as the number of units in ZIP Codes that experienced decreases. In these PHAs, small reductions in the number of units below the SAFMR in moderate-rent ZIP Codes drove the net decline in units with rents

[2] This report defines a moderate-rent ZIP Code as one in which the median rent falls between 90 and 110 percent of the median rent for the metropolitan area as a whole. The report defines ZIP Codes with lower median rents as low rent, and those with higher median rents as high rent.

below the applicable FMR. That was not the case in Chattanooga, Dallas, Long Beach, and Plano. In Long Beach, a large majority of rental units were in ZIP Codes where payment standards declined.[3] This, combined with the sharp drop (13.5 percent) in the total number of units with rents below the SAFMR, appears to have contributed to a sense of dissatisfaction among landlords, HCV holders, and PHA staff; Long Beach similarly reported the greatest challenges to implementation. In other markets, FMRs declined in some places but increased in many others, resulting in opportunities for HCV holders living in neighborhoods with declining payment standards to find qualified units in neighborhoods with greater access to opportunity. Chattanooga includes a relatively low number of ZIP Codes (and units within ZIP Codes) where SAFMRs are less than FMRs and a relatively high number of ZIP Codes and units with SAFMRs that are about equal to or are greater than the FMR. As a result, Chattanooga saw an increase in units renting below the applicable FMR with a change to SAFMRs.

- The high-rent ZIP Codes to which HCV holders are given access via SAFMRs offer higher opportunity to residents on all measures used, which include lower poverty, higher school proficiency, higher job proximity, higher environmental quality, and lower rates of both property and violent crime. As expected, high-rent ZIP Codes offer more opportunities than do low-rent ZIP Codes. Because SAFMRs increase access to high-rent ZIP Codes and reduce access to low-rent ZIP Codes, we found not unexpectedly that the transition to SAFMRs led to an increase in units potentially available to HCV holders in higher-opportunity areas under SAFMRs compared with FMRs and fewer units in lower-opportunity areas.

Actual Locations of HCV Holders Following Implementation of SAFMRs

Although SAFMRs are hypothesized to improve HCV holders' access to units in high-opportunity areas, the actual experience could be influenced by a number of factors. These factors include the PHAs' ability to execute the demonstration and the responses of both landlords and HCV holders to the changes in payment standards. HCV holders' current circumstances may also play a role, as moving to a higher-opportunity area may or may not fit with a HCV holder's situation at a given point in time. We summarize key findings based on early evidence in the following list.

- Following the implementation of SAFMRs, HCV holders in the demonstration sites are slightly more likely to live in high-rent ZIP Codes than they were prior to the demonstration (20 percent compared with 17 percent). In the comparison PHAs, the percent of households that lived in high-rent ZIP Codes did not change—14 percent of HCV holders resided in high-rent ZIP Codes in both periods. The slight changes in rents among the SAFMR PHAs also translate into slight changes in opportunity. Following the implementation of SAFMRs, 13 percent of HCV holders in the SAFMR PHAs lived in high-opportunity areas compared with 11 percent prior to implementation; 9 percent of HCV holders in the comparison PHAs lived in high-opportunity areas in both periods.

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[3] The *payment standard* is used to calculate the amount of the subsidy per voucher. The allowable range of this percentage is set by HUD at between 90 and 110 percent of the FMR, with some opportunity to request exceptions from HUD.

- The share of new HCV holders across all the SAFMR sites who moved into high-rent ZIP Codes increased from 14 percent in 2010 to 17 percent in 2015. The size and direction of the change varied across SAFMR sites, however. The share of new households that moved into high-rent ZIP Codes quadrupled in Laredo (from 5 percent to 22 percent), doubled in Chattanooga (from 5 to 10 percent), and increased by nearly one-fourth in Cook County (from 17 to 21 percent). In contrast, in Mamaroneck, the percentage of new households that moved into high-rent ZIP Codes decreased from 83 percent in 2010 to 59 percent in 2015, a drop of almost one-third. The percent of new HCV households that moved into high-rent ZIP Codes in the comparison PHAs did not change—11 percent of new HCV holders resided in high-rent ZIP Codes prior to the implementation of SAFMRs and 12 percent after. The changes in rents are also reflected in changes in access to opportunity. Following the implementation of SAFMRs, 11 percent of new HCV holders in the SAFMR PHAs lived in high-opportunity areas compared with 9 percent prior to implementation; 8 percent of new HCV holders in the comparison PHAs lived in high-opportunity areas in both periods.
- Overall about 15 percent of HCV holders moved to new ZIP Codes in a 2-year period prior to the implementation of SAFMRs; 18 percent moved in a 2-year period after implementation. **Among existing households that moved to new ZIP Codes, the share moving to high-rent ZIP Codes increased from 18 percent in 2010 to 28 percent in 2015.** No similar trend was observed in the comparison PHAs. Across all evaluation PHAs, PHA staff reported that declining payment standards in lower-opportunity areas encouraged HCV households to move from lower-opportunity areas to higher-opportunity areas. This observation is borne out by the analysis of HCV administrative data, which shows that existing households in SAFMR PHAs that moved to different ZIP Codes moved to high-rent areas at a higher rate in 2015 than in 2010. Important differences exist across SAFMR sites. All SAFMR sites saw increases except Long Beach, where almost no movers relocated to high-rent ZIP Codes in either time period (1 percent in 2010 and 2 percent in 2015). In contrast, in Laredo, the share of ZIP Code movers who moved into high-rent ZIP Codes increased from 6 percent in 2010 to 31 percent in 2015. Plano experienced an increase from 39 percent to 52 percent and Dallas from 21 percent to 32 percent. The other sites experienced increases of about 5 to 6 percentage points. The changes in rents are also reflected in changes in access to opportunity. Following the implementation of SAFMRs, 15 percent of mover HCV holders in the SAFMR PHAs lived in high-opportunity areas compared with 9 percent prior to implementation; 7 percent of mover HCV holders in the comparison PHAs lived in high-opportunity areas in both periods.
- After the implementation of SAFMRs, households moving to different ZIP Codes are more likely to locate in neighborhoods with lower shares of minorities and higher shares of household heads with college degrees. These changes were not observed in the comparison PHAs.

Program Costs and Rents

- **Average per-unit payment standards at SAFMR PHAs declined between 2010 and 2015 in inflation-adjusted (real) terms.** Overall, between 2010 and 2015, the average payment standard for HCV holders decreased in real terms (in 2015 dollars) by about 11 percent in the SAFMR PHAs. In contrast, payment standards decreased by 2 percent across all rent categories in the comparison PHAs. The overall decrease in per-unit payment standards in SAFMR PHAs indicates that increases in payment standards for households in high-rent neighborhoods were more than offset by lower payment standards for households in low-rent neighborhoods. Overall, the average payment standard decreased by 17 percent in low-rent ZIP Codes, with the largest declines in Dallas, Long Beach, Mamaroneck, and Plano. At the same time, the average payment standard increased by 12 percent in high-rent ZIP Codes, with the largest increases in Cook County and Laredo. Plano and Mamaroneck saw minimal changes in average payment standards in this rent category during this time period, despite the change to SAFMRs.

- **Housing Assistance Payment (HAP) costs declined in real terms per unit between 2010 and 2015 in SAFMR PHAs.** HAP costs are the subsidy costs that PHAs incur on behalf of HCV holders for rent and utilities. They decreased an average of 13 percent between 2010 and 2015 for SAFMR PHAs compared with a decline of about 5 percent for comparison PHAs. The changes in HAP costs generally followed the same pattern as the changes in payment standards. Average per-unit HAP payments in low-rent ZIP Codes decreased by nearly 30 percent, with the largest decreases in Dallas, Long Beach, and Plano. Average per-unit HAP payments in high-rent ZIP Codes increased by 3 percent, with the largest increases in Cook County and Laredo. In Dallas and Plano, the average HAP in the high-rent ZIP Codes actually decreased, reflecting that the payment standard in high-rent Dallas ZIP Codes increased only modestly and did not increase at all in Plano.
- **Rents paid to landlords remained nearly flat in real terms between 2010 and 2015 but varied by rent category.** Rents to landlords are the sum of the rent paid by the HCV holder and the payments to landlords made by the PHA on behalf of the HCV holder. Rents to landlords decreased in low-rent ZIP Codes (by 7 percent on average) and increased in high-rent ZIP Codes (by 6 percent on average). Rents to landlords did not decrease by as much as the decrease in payment standards in these areas—perhaps because rents were adjusted only downward on the second annual recertification of income after implementation of SAFMRs in ZIP Codes with reduced payment standards. This is a standard HUD policy designed to provide a transition period to enable tenants and landlords to adjust to lower payment standards.
- **Average tenant contributions to rent in the SAFMR PHAs increased by 16 percent between 2010 and 2015.** Increases were larger in low-rent ZIP Codes (about 22 percent) than in high-rent ZIP Codes (11 percent). By comparison, tenant contributions in the comparison PHAs rose by about 9 percent during this period, with similar increases across all rent ranges. The increase in tenant contributions to rent in the low-rent SAFMR ZIP Codes suggests that some HCV holders did not move when payment standards fell, and they faced higher tenant rent contributions as a result. The largely similar increases in tenant contributions to rent in high-rent ZIP Codes in SAFMR and comparison sites suggests that SAFMRs may not have led to increases for residents of these neighborhoods.

PHA Impacts

- The largest expenditures related to SAFMR implementation for most PHAs were payments to vendors or information technology consultants to modify or adopt automated systems capable of handling ZIP Code-level payment standards. SAFMR implementation also required intensive staff efforts in several areas including analyzing and setting ZIP Code-level payment standards and training staff on how to explain and apply the new payment standards. Also, some impacts were related to contract rent adjustments and changes to the communications strategy for landlords and tenants. Other impacts on PHAs were minimal—for example, at most PHAs, SAFMRs required only minor modifications to PHA administrative processes, such as housing quality standard inspections, PHA plans and administrative plans, procedures, and quality assurance. That said, local circumstances and procedures meant it was more difficult for some PHAs than others to implement SAFMRs.

Plan for Phase 2 Data Collection

Now that the first phase of the project is complete, the second phase of data collection will begin, which runs through the end of 2017. In Phase 2, we will conduct a second round of site visits to the same seven PHAs to update the information on administrative processes and costs and to interview tenants and landlords. The interviews will build on Phase 1 findings and be designed to complement and enhance the quantitative analyses. In Phase 2, we will also update the analysis of secondary data with 2016 and 2017 data and provide further analyses with this data.

We will combine and synthesize Phase 1 and Phase 2 findings in the final report to be submitted in mid-2018.

1. About the Small Area Fair Market Rent Demonstration and Evaluation

Motivation for the Demonstration

Housing Choice Vouchers (HCVs) enable residents to select housing units of their choice as long as the units meet certain rent and quality parameters. Accordingly, HCVs theoretically offer HCV holders the chance to locate in neighborhoods with high-performing schools, low poverty rates, and other characteristics associated with opportunity for neighborhood residents. In practice, however, HCV holders are frequently concentrated in high-poverty neighborhoods with limited access to the amenities associated with resident opportunity.

This is particularly the case for HCV holders from racial and ethnic minority groups (Devine et al., 2003; Galvez, 2010; McClure, 2008, 2011; Owens, 2012; Pendall, 2000).

The use of a single rent standard as the basis for determining the HCV subsidy level throughout a metropolitan area is among other factors contributing to this concentration. That standard is the Fair Market Rent (FMR), set annually by the U.S. Department of Housing and Urban Development (HUD) for each metropolitan area (and nonmetropolitan county) generally at the 40th percentile of rents of all units in that area occupied by renter households that moved to the unit in the past 15 months.[4]

Rents tend to be higher in certain neighborhoods than others, and neighborhoods with higher rents tend to have better access to amenities that provide opportunity. For this reason, using a single metropolitanwide standard as the basis for setting the maximum subsidy available to HCV holders makes it difficult for them to access housing in areas of opportunity. Under an FMR-based system, it is much easier for HCV holders to use vouchers in lower-rent areas that generally also have fewer opportunities. (DeLuca, Garboden, and Rosenblatt, 2013; Devine et al., 2003; Pendall, 2000).

Currently, the subsidy available to HCV holders is generally based on the FMR for each rental unit size (number of bedrooms) for each metropolitan area. HUD publishes the metropolitan area FMRs and provides public housing agencies (PHAs) with discretion to set the local *payment standard*, which is used to calculate the subsidy between 90 and 110 percent of the FMR (unless HUD approves an exception). Policymakers have long been concerned that payment standards that are set too low could impede HCV holders' access to quality housing and neighborhoods; even at 110 percent of the FMR, HCV holders could have limited access to higher-cost areas where *gross rents* (rent plus utilities) are above the payment standard. At the same time, payment standards that are set too high could drive up subsidy costs and reduce the number of families served.

Consequently, one of the central questions that HUD faces in administering the HCV program is how to create a more effective means for HCV holders to move to higher-opportunity areas, without significantly raising overall subsidy costs. Answering that question is a primary motivation for HUD's Small Area Fair Market Rent (SAFMR) demonstration.

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[4] HUD created a program in 2001 designed to reduce concentration of HCV tenants. The program enables FMRs in some areas to be set at the 50th percentile of rents.

Design and Implementation of the Demonstration

HUD's SAFMR demonstration tests an alternative approach to setting FMRs. In this alternative approach, the metropolitan area FMRs are adjusted to account for differences in market rents using a geographic area that is much smaller than the metropolitan area—the ZIP Code level.

To set SAFMRs, HUD multiplies the metropolitan area FMR by the ratio of the ZIP Code median rent to the metropolitan area median rent. Therefore, if the median rent in a ZIP Code is 25 percent higher (or lower) than the median in that metropolitan area, the SAFMR for that ZIP Code will be 25 percent higher (or lower) than the metropolitan area FMR. The more localized SAFMRs enable payment standards (which can now be set between 90 and 110 percent of the SAFMR rather than the metropolitan area FMR) to vary within a metropolitan area outside of the range currently permitted. HUD's hypothesis is that because SAFMRs more accurately reflect the cost of rental housing in a given neighborhood, this alternative approach would increase the pool of neighborhoods that HCV holders can access using vouchers relative to the pool defined by FMRs. SAFMRs are set by HUD once per year and are effective at the beginning of the fiscal year, October 1st.

SAFMRs could lead to a greater share of HCV holders locating in racially integrated neighborhoods in support of HUD's goal of affirmatively furthering fair housing. A move to SAFMRs could also affect landlords' interest in and awareness of the HCV program. Higher payment standard in high-cost ZIP Codes could attract landlords' interest, whereas lower payment standards in low-cost ZIP Codes could discourage engagement with the HCV program.

A move to SAFMRs would also affect the local PHAs that administer the HCV program. It ultimately could alter the average amount PHAs pay landlords for the units they administer. Households may respond to SAFMRs by more frequently moving to or selecting higher-cost areas. However, without a corresponding reduction in costs associated with households renting in lower-cost areas or associated gains in HCV holders' incomes resulting from PHAs paying a greater share of rent, a PHA ultimately may not be able to fund as many vouchers as before. (Or, alternatively, may require additional funding from HUD to continue serving its baseline number of HCV holders.)

In addition, a switch from voucher payment standards derived from FMRs to SAFMRs would likely require PHAs to change their administrative processes and systems, particularly initially.[5]

To test how SAFMRs may potentially affect a range of PHA types, HUD randomly selected five PHAs for the demonstration that differed across various characteristics.

- Chattanooga Housing Authority, Tennessee (CHA).
- Housing Authority of Cook County, Illinois (HACC).
- Housing Authority of the City of Laredo, Texas (LHA).
- Housing Authority of the City of Long Beach, California (HACLB).
- Town of Mamaroneck Housing Authority, New York.

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[5] We note that in designing the SAFMR demonstration, HUD provided participating PHAs with additional funding intended to cover initial costs.

These PHAs were from distinct clusters of eligible PHAs that met a size threshold and demonstrated administrative capacity to carry out the SAFMR program. The five PHAs in the demonstration were recruited at random from clusters of eligible PHAs and accepted the invitation to participate in the demonstration. The demonstration for the five PHA participants started at the end of 2012 and ended on September 30, 2016. More information about the design of the selection of PHAs for the demonstration is available in appendix A.

Evaluation of the Demonstration

In 2015, HUD contracted to conduct an evaluation of the SAFMR demonstration—examining whether and to what extent providing higher subsidies in ZIP Codes where rents are higher and lower subsidies in ZIP Codes where rents are lower—helps HCV holders to better access areas of opportunity. HUD requested that the evaluation also examine how the switch to SAFMRs affects HCV holders and landlords, as well as HCV subsidy and administrative costs.

In addition to the five PHAs that agreed to participate in the SAFMR demonstration, this study includes 2 (of 12) PHAs from the Dallas, Texas FMR metropolitan area that have used SAFMRs since 2011 as a result of a legal settlement. The 2 additional PHAs are—

- Housing Authority of the City of Dallas.
- Housing Authority of Plano.

Dallas is the largest of the PHAs in the Dallas metropolitan area. In contrast, the Plano PHA serves a smaller number of HCV holders and a smaller share of Plano's HCV holders are members of a minority group. Appendix A presents the process by which HUD selected the PHAs and the implication for interpreting our eventual findings.

In this report, we refer to this group of seven PHAs collectively as the SAFMR PHAs. Exhibit 1-1 describes this group. For each, the exhibit also presents selected PHA-level characteristics of its residents and the neighborhoods in which they live, drawn from the 2011 Picture of Subsidized Housing data. As the exhibit reflects, the study includes a group of PHAs with a range of demographic and housing market characteristics.

Exhibit 1-1: Small Area Fair Market Rent Demonstration PHAs and Selected Characteristics

PHA Name (Cluster)	HCV Units	Two-Bedroom FMR 2012 ($)	Average HCV Income (Percent of Local Median)	Minority/ Hispanic (%)	62 Years Old Plus (%)	Tract Minority (%)	Tract Single-Family Owner (%)
Chattanooga Housing Authority (5)	3,183	628	21	82/2	15	54	48
Housing Authority of Cook County (6)	12,622	958	21	83/3	18	58	52
Housing Authority of the City of Laredo (2)	1,368	696	25	100/99	20	95	46
City of Long Beach Housing Authority (7)	6,556	1,447	20	88/11	23	83	17
Town of Mamaroneck Housing Authority (4)	647	1,580	21	54/22	32	39	32
Housing Authority of the City of Dallas (5/6)	18,525	868	21	94/5	17	67	44
Housing Authority of Plano	908	868	25	65/3	29	39	50

FMR = Fair Market Rent. HCV = housing choice voucher. PHA = public housing agency.
Notes: Average HCV income percent of local median, minority and Hispanic percent, and percent 62 years old plus are average characteristics of HCV holders. Tract minority percent is defined as minorities as a percentage of total population in the census tract where HUD-assisted families reside. Tract single-family owner percent is defined as the percentage of households that are owner and occupants of single-family detached homes in the census tract where HUD-assisted families live.
Sources: Clusters determined by HUD for Small Area Fair Market Rent demonstration, except Dallas and Plano, which are assigned to a cluster based on their characteristics; descriptive data from the 2011 Picture of Subsidized Housing PHA-level data

Research Questions

We organize the key policy questions prompting this study into two categories: (1) the impacts of SAFMRs on HCV holders, and (2) the fiscal and administrative impacts of SAFMRs on PHAs.

The effect of SAFMRs on HCV holders and administering PHAs is the primary focus of this evaluation. Examining landlord awareness and perceptions of the change (Research Question 1d) is important, however, because it likely affects both HCV holders and PHAs. Landlords' willingness to accept HCVs affects HCV holders' ability to use vouchers. PHAs also have significant interactions with landlords in setting and negotiating rental contracts that may be affected by changing to SAFMRs. We will interview landlords and residents in Phase 2 of our research.

What are the impacts of SAFMRs on HCV holders?

a. What is the *potential* of SAFMRs to increase access to opportunity and integrated neighborhoods for HCV holders? That is, how does the number of units with rents below SAFMRs in high-rent neighborhoods compare with the number below metropolitan area

FMRs? How do differences in the number of units with rents below SAFMR and with rents below FMR relate to measures of neighborhood opportunity and other neighborhood characteristics? How does this potential vary across metropolitan areas with different housing markets?

b. Did changing to SAFMRs increase existing HCV holders' likelihood of moving to higher-opportunity or more integrated neighborhoods? Were new HCV holders more likely to locate in higher-opportunity neighborhoods under SAFMRs than under metropolitan area FMRs? How did the characteristics of HCV holders' neighborhoods change after adoption of SAFMRs?

c. How did the change to SAFMRs affect HCV holders' experience with the HCV program? What effects did the change have on tenants' rent burdens? Did they understand how the change affected their housing options? What was tenants' perception of the change? Did the change to SAFMRs influence HCV holders' success in using vouchers to rent units?

d. To what extent were landlords, both those participating in the HCV program and potential new participants, aware of the change in the HCV program? How did landlords perceive the change?

What are the fiscal and administrative impacts of SAFMRs on public housing authorities?

a. What are the implications for subsidy costs and ongoing administrative expenses?

b. What were the financial and human costs of the one-time transition from metropolitan area FMRs to SAFMRs? How did the change affect PHA interaction with HCV holders and potential holders? How did the change affect PHA interaction with landlords?

This interim report documents initial responses to these questions. Responses will be updated in the study's final report, which will be available in 2018.

Structure of This Report and Introduction to Key Methodological Approaches

The following is an overview of the structure of this report along with introductory notes about some of the principal methodological approaches used.

Chapter 2. Hypothesized Impacts on Housing Choice Voucher Holders and PHAs. This chapter presents a discussion of the hypothesized impacts of the move to SAFMRs.

Chapter 3. Evaluation Data and Methodology. This chapter describes the data and methodology used in this evaluation. The data collection and analysis for this study is to occur in two phases. Phase 1, the focus of this report, is based on an initial analysis of secondary data for the years 2008 through 2015, as well as information collected during one site visit to each of the seven SAFMR PHAs in May and June 2016 to gather data for the analysis of implementation and administrative costs.

In Phase 2, we will conduct a second round of site visits to the seven SAFMR PHAs. During the visits, we will interview a sample of 70 HCV holders and 35 landlords in SAFMR areas, and we will update information on administrative processes and costs. The interviews will build on the findings in Phase 1 and will complement and enhance the quantitative analyses. In Phase 2, we will also update the analysis of secondary data with 2016 and 2017 data. We will combine and synthesize Phase 1 and Phase 2 findings in the final report in 2018.

An important consideration in shifting to SAFMRs is how HCV holders and landlords perceive the shifts. In particular, we want to know whether both existing and new HCV holders understood how the change affected their housing options and whether it led movers to search new neighborhoods or affected the rate of moving of existing HCV holders. Similarly, we want to know whether landlords were aware of the change in the HCV program and whether this change affected their willingness to rent to HCV holders and the level at which they set rents. The study's final report will address these questions more fully to allow for sufficient time to pass so that HCV holders and landlords have sufficient experience with the SAFMRs to have an informed view.

To inform a determination of the extent to which neighborhoods provide opportunity, we have separately included measures of poverty rates, school quality, access to jobs, and environmental quality. We have created an overall composite index of opportunity using these neighborhood characteristics.[6] We have relied on a combination of census and administrative data, and where possible, on the nationally available metrics that HUD includes in its Affirmatively Furthering Fair Housing Assessment Tool.

Chapter 4. Changes in Housing Choice Voucher Holders' Potential Access to High-Opportunity Neighborhoods. Chapter 4 assesses the *potential* of SAFMRs to increase access to opportunity by comparing the share of all units renting below SAFMRs with the share renting below FMRs across characteristics of neighborhoods in the service areas of the SAFMR PHAs and a set of comparison PHAs. In this analysis, we examine the extent to which shifting to SAFMRs will increase the share of rental units available to HCV holders in high-rent areas—finding that they do in fact have the potential to achieve this outcome.

To classify neighborhoods, we use the ZIP Code *rent ratio*—the ratio of the ZIP Code median rent to the metropolitan area median rent. HUD uses this ratio in calculating SAFMRs, which are each ZIP Code's rent ratio multiplied by the metropolitan area FMR (subject to a maximum cap of 150 percent of the metropolitan area FMR and a minimum floor of the state nonmetropolitan-area minimum).[7] For clarity of presentation, we group ZIP Codes into those with rent ratios below 0.9, between 0.9 and 1.1, and greater than 1.1.[8] The first category corresponds to neighborhoods with lower rents, and the third category corresponds to neighborhoods with higher rents. We then show that the rent ratio is strongly correlated with measures of neighborhood opportunity—poverty rate, school quality, access to jobs, environmental quality, and a composite overall index of opportunity combining the four measures.

We complete our analysis of the potential of SAFMRs to increase access to opportunity by examining the extent to which SAFMRs lead to increases in the number of units affordable to

[6] We also gathered data on property and violent crime rates for the analysis. As anticipated, crime data are not available for all the SAFMR PHAs or across all the PHA service areas. In reviewing this draft interim report, we determined that that pattern of available data was confounding results for the crime measures. As such, we are revisiting the analysis of crime data for possible inclusion in the final report.

[7] In our data analysis, we do not repeat HUD's analysis of the special tabulations of ACS data needed to calculate the ratio of the ZIP Code median rent to the metropolitan area median rent. Rather, we calculate rent ratios by inverting the formula used to calculate SAFMRs. That is, we determine a ZIP Code's rent ratio as the two-bedroom SAFMR divided by the two-bedroom metropolitan area FMR.

[8] In Phase 2, we will consider adding rent ratio groupings of below 0.8, between 0.8 and 0.9, between 1.1 and 1.2, and greater than 1.2 to determine if these five categories can provide better insight to moving to areas of opportunity.

HCV holders in high-opportunity areas. To measure whether SAFMRs increase the number of units affordable to HCV holders in high-opportunity areas, we compare the share of units renting below SAFMRs with the share renting below FMRs for neighborhoods with lower and higher levels of the neighborhood opportunity measures.

Chapter 5. Early Impacts of Small Area Fair Market Rents on Housing Choice Voucher Holders. Chapter 5 provides a preliminary assessment of the *observed* effect of adoption of SAFMRs on location and relocation outcomes of both new and existing HCV holders. In this section, we follow the same structure of analysis used for the potential effect of adoption of SAFMRs. Now, instead of reporting the share of all rental units with rents below SAFMRs and FMRs, we report the *actual* shares of HCV holders using vouchers across neighborhoods, classified by the neighborhood rent ratio, neighborhood opportunity measures and neighborhood characteristics.

Chapter 6. Perceptions of Tenants' Experience and Administrative Impacts of Small Area Fair Market Rents on Public Housing Agencies. Chapter 6 discusses how the shift to SAFMRs affected PHAs—in particular, the time and expenses associated with implementing the demonstration and effects on workloads and processes. The chapter also discusses the impacts on PHAs' administrative costs, including one-time transition costs and any ongoing costs.

Chapter 7. Fiscal Effects of Small Area Fair Market Rents on Public Housing Agencies, Housing Choice Voucher Holders, and Landlords. In Chapter 7, we summarize the observed changes in rents following introduction of SAFMRs, including Housing Assistance Payment (HAP) costs, rents to landlords, and tenant contributions to rents. To answer the questions relating to costs, we use both existing data and data collected specifically for the study. We compare the change in HAP costs over time for SAFMR sites with the change for comparison sites, using HUD's Public and Indian Housing Information Center (PIC) data. We also use qualitative data collected during site visits to provide context for changes in HAP costs, including events other than the introduction of SAFMRs that could have affected HAP costs. In addition, we collected data on site at the SAFMR PHAs to learn about transition costs, the nature and amount of any higher ongoing administrative costs, and the activities PHAs have undertaken to support mobility for HCV holders.

Chapter 8. Plan for Phase 2 Data Collection. Chapter 8 provides a preview of remaining research to be conducted for Phase 2 and the final report.

2. Hypothesized Impacts on Housing Choice Voucher Holders and Public Housing Agencies

This section presents hypothesized impacts on HCV holders of moving to SAFMRs. This is followed by a discussion of potential impacts on PHAs.

Hypothesized Impacts of SAFMRs on HCV Holders

This section presents hypothesized impacts on HCV holders of using SAFMRs, organized by the research questions introduced in the section titled Evaluation of the Demonstration. First, we review the potential for SAFMRs to affect where HCV holders live, looking at the difference in affordability of units across neighborhoods with differing levels of opportunity under SAFMRs versus metropolitan area FMRs. Then we discuss how SAFMRs may affect where HCV holders actually live. We consider how this response might directly affect rents and access to opportunity. Finally, we discuss how HCV holders may perceive and experience the shift to SAFMRs. This includes a discussion of the role of landlords in the HCV program, and it considers how their possible reactions to the shift to SAFMRs might affect HCV holders.

Potential for SAFMRs To Affect Location and Relocation of HCV Holders

Research Question 1a

What is the potential of SAFMRs to increase access to opportunity and integrated neighborhoods for HCV holders? That is, how does the number of units with rents below SAFMRs in high-rent neighborhoods compare with the number below metropolitan area FMRs? How do differences in the number of units with rents below SAFMR and with rents below FMR relate to measures of neighborhood opportunity and other neighborhood characteristics? How does this potential vary across metropolitan areas with different housing markets?

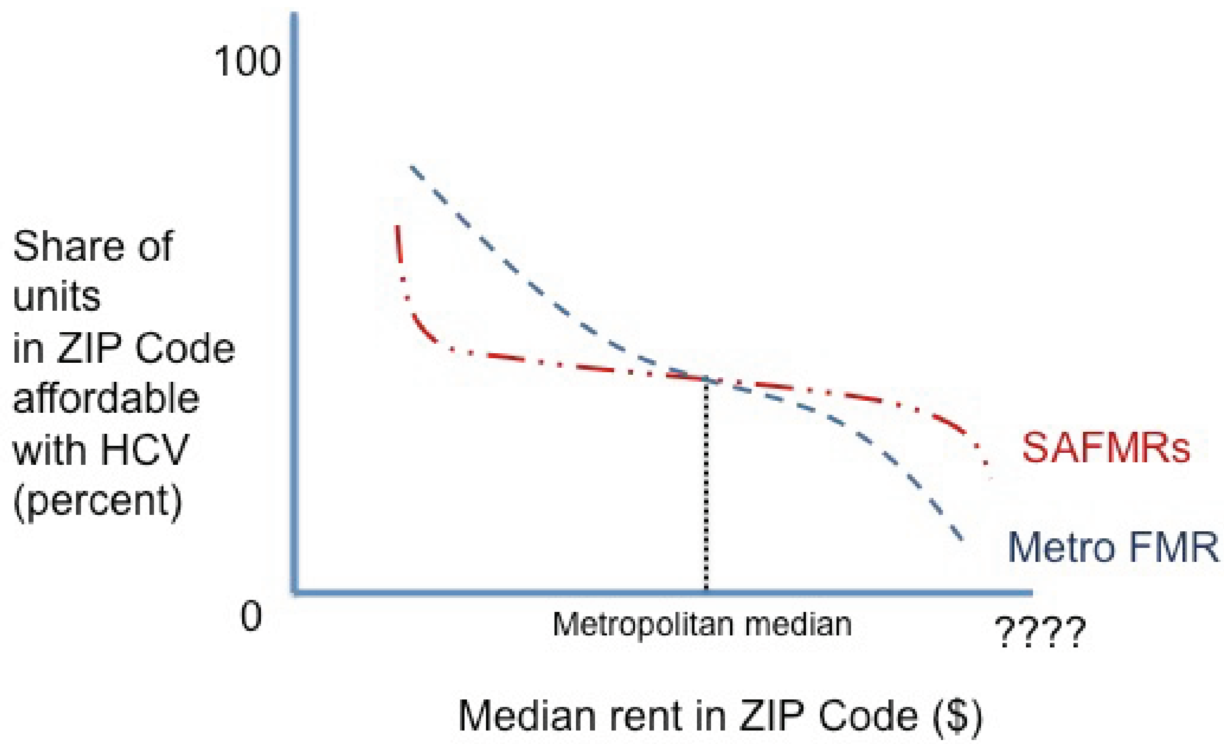
SAFMRs are expected to change the permissible range for payment standards across ZIP Codes within a metropolitan area.[9] This change is the primary mechanism through which SAFMRs might alter HCV holders' access to and location in high-opportunity neighborhoods. However, the extent of this change depends on the variation in rents across a metropolitan area and how a PHA establishes payment standards—for both metropolitan area FMRs and SAFMRs. Our first hypothesis is that using SAFMRs instead of metropolitan area FMRs to determine payment standards will substantively increase HCV holders' ability to afford to rent units in high-opportunity neighborhoods.

The following two factors affect whether HCV holders can successfully use vouchers in a particular neighborhood. First, is a good selection of rental units in the neighborhood at the SAFMR payment standard? Second, are neighborhood landlords willing to participate in the HCV program? We address the first factor here and the second factor in the following discussion on landlords.

9 Both Collinson and Ganong (2015) and Geyer (2017) include a helpful, more formal analysis of the potential for SAFMRs to change tenant location outcomes. Collison and Ganong's indepth analysis includes a finding that "tilting" the rent ceiling in a geography, by such means as introducing SAFMRs, may be effective in increasing the quality of neighborhoods in which HCV holders live. Geyer estimates an empirical housing demand model and simulates that a shift to tract-level FMRs would substantially increase the quality of neighborhoods chosen by HCV holders.

In general, the basic rule from which PHAs set payment standards is the same under metropolitan area FMRs and under SAFMRs—payment standards must fall between 90 and 110 percent of them, *except* that the starting FMR is at the metropolitan area geography under FMRs and at the ZIP Code under SAFMRs. Exhibit 2-1 depicts the hypothesis that under SAFMRs, fewer units should be available to HCV holders in low-rent neighborhoods, and more units should be available in high-rent neighborhoods than with metropolitan area FMRs. Exhibit 2-1 is a graph of the expected relationship between the share of units in a ZIP Code that are available with an HCV (that is, rent at or below the FMR) and the median rent in the ZIP Code under both SAFMRs and a metropolitan area FMR. The line showing the relationship between the share of units available and ZIP Code rents is steeper under a metropolitan area FMR and flatter under SAFMRs (because SAFMRs vary based on the ZIP Code median rent). A greater share of units within a ZIP Code are available in ZIP Codes with lower rents under metropolitan area FMRs than under SAFMRs, and a smaller share of units within a ZIP Code are available in ZIP Codes with higher rents under metropolitan area FMRs.

Exhibit 2-1: Hypothesized Neighborhood Share of Units Available Under SAFMRs and Metropolitan Area FMRs



FMR = Fair Market Rent. HCV = housing choice voucher. SAFMR = Small Area Fair Market Rent.

The lines cross where the rent ratio equals 1, and SAFMR equals metropolitan area FMR. This *flattening* of the share of units that are available under SAFMRs should influence where HCV holders can live in multiple ways. It changes the composition of units that are available to new HCV holders or existing holders who move. Also, some units (in areas where SAFMRs are lower than metropolitan area FMRs) will no longer be available to existing HCV holders after the full phase in of SAFMRs. Some units where HCV holders already live could be among those that are no longer available. The strong tails in the SAFMR curve reflect the fact that HUD caps SAFMRs at both ends of the rent continuum.[10]

The exhibit also highlights that the expected effect of SAFMRs within a given neighborhood will depend on the ZIP Code rent level. Where the ZIP Code median rent is lower than the metropolitan area median rent, the rent ratio will be less than one, and SAFMRs will reduce the share of units available to HCV holders. Where the ZIP Code median rent is similar to the metropolitan area median rent, SAFMRs do not change the number of units that are available. Where the ZIP Code median rent is higher than the metropolitan area median rent, a larger share of units will be available under SAFMRs.

Another factor that will determine whether a good selection of rental units is available in neighborhoods under SAFMRs is the relative number of rental units in ZIP Codes with median rents below and above the metropolitan area median rent. If fewer rental units are in higher-rent ratio ZIP Codes than in lower-rent ratio ZIP Codes, the total number of units with rents falling below the SAFMR-based payment standards will be lower than the total number falling below the FMR-based standards. The correlation between opportunity and neighborhood rent levels determines the extent to which this change in the share of units available to HCV holders increases the potential for HCV holders to access high-opportunity neighborhoods. The assumption that areas with higher rents also have greater access to opportunity is the basis of the SAFMR demonstration and HUD's interest in moving to SAFMRs.

HUD defined opportunity areas as places with greater access to employment and transportation and better educational opportunities (Federal Register, 2010). This evaluation uses the following quantitative measures of neighborhood opportunity: poverty rate, school proficiency, employment access, and environmental quality. We explored the possibility of including access to transportation in our neighborhood opportunity index. Data on this indicator are not available across all the SAFMR PHAs. Where data are available, they are highly correlated with employment access. We, therefore, omitted this indicator from our analysis. Chapter 3 details the included measures.

In light of the factors previously noted, some PHAs (more than others) may experience a greater potential impact of a shift to SAFMRs on the ability of HCV holders to access high-rent and high-opportunity areas. The change in the share of units available to HCV holders will depend on the existing rent dispersion across ZIP Codes. In general, areas with greater dispersion in rents across neighborhoods within a PHA will have a greater potential for SAFMRs to affect access to high-opportunity neighborhoods. By contrast, if most ZIP Codes have a median rent that is close to the metropolitan area median rent, rent ratios will be close to 1, so SAFMRs (calculated as rent ratio multiplied by FMR) will be close to metropolitan area FMRs. In this case, the number of units available to HCV holders will be similar under SAFMRs and metropolitan area FMRs.

Additionally, how PHAs exercise the latitude they have to set payment standards within 90 and 110 percent of the FMR and the extent to which HUD grants them exceptions under FMRs for payment standards outside the basic range may also create differences in the impacts of moving

[10] SAFMRs are set to at least the state nonmetropolitan minimum. Therefore, all units in the lowest-rent ZIP Codes (where rents are below this floor) would rent for less than the SAFMR. SAFMRs are capped at 150 percent of the HUD Metro Area FMR. ZIP Codes with very high rents could exist where no units rented below the SAFMR.

to SAFMRs. Our analysis of the potential impact of a shift to SAFMRs will document variation in how SAFMRs affect the share of units affordable across all PHAs in our analysis sample.[11]

Observed HCV Holders' Locations and Relocations

Our next hypotheses are about how SAFMRs will actually affect HCV holders' decisions about where to live. We anticipate that some HCV holders, including both new HCV holders and existing holders, will respond to the option of higher payment standards in higher-opportunity, higher-cost neighborhoods and lower payment standards in areas with lower median rents by opting to use voucher in higher-opportunity neighborhoods. Chapter 4 examines the following specific hypotheses.

> **Research Question 1b**
>
> *Did changing to SAFMRs increase existing HCV holders' likelihood of moving to higher-opportunity or more integrated neighborhoods? Were new HCV holders more likely to locate in higher-opportunity neighborhoods under SAFMRs than under metropolitan area FMRs? How did the characteristics of HCV holders' neighborhoods change after adoption of SAFMRs?*

- The introduction of SAFMRs will increase existing HCV holders' likelihood of moving both to take advantage of higher subsidies in higher-opportunity areas and to leave units where subsidies are decreased as a result of the lower payment standards.
- Due to the introduction of SAFMRs, HCV holders who move will be more likely to move to higher-opportunity neighborhoods.
- Due to the introduction of SAFMRs, new HCV holders will be more likely to initially locate in higher-opportunity neighborhoods.
- Fewer HCV holders will live in areas with lower opportunity measures as a result of SAFMRs.

Ultimately, we also anticipate that living in higher-opportunity neighborhoods will result in longer-term improvements in outcomes for HCV holders and particularly for their young children. We note these potential longer-term effects here, although these longer-term effects are beyond the data and timing limits of this evaluation.

- Adult HCV holders may see improvements in education outcomes, employment, and earnings from exposure to neighborhoods with better access to jobs and higher levels of education. (Although we anticipate these improvements would come over a number of years, this evaluation will examine short-term employment and income gains only.)
- Recent research determined that young children in Moving to Opportunity treatment families had significantly improved college attendance rates and earnings in young adulthood (Chetty, Hendren, and Katz, 2016). Children in families who move to higher-opportunity neighborhoods could experience similar benefits because of SAFMRs. (This evaluation will not examine these outcomes.)

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[11] Each of the five demonstration PHAs is from a different cluster, which were determined prior to selection based on the number of vouchers, FMR levels, and share of working-age heads of household among HCV holders. As such, we do not anticipate having variation across SAFMR metro areas in preexisting rental patterns to empirically test how differences in potential impact across SAFMR metro areas are related to observed HCV holders' location and relocation decisions.

- Long-term health outcomes improved for households that moved to lower-poverty neighborhood in the Moving to Opportunity experiment (Ludwig et al., 2011). HCV holders induced to live in higher-opportunity neighborhoods through SAFMRs may also experience these benefits. (This evaluation will not examine these outcomes.)

Other factors exist beyond the financial incentives of varying payment standards that influence the extent to which these hypotheses will hold. For example, HCV holders' preferences for neighborhoods may or may not align with neighborhoods that have higher levels of opportunity as defined by HUD and this study. In addition, some key determinants of household location choices might work against locating in high-opportunity neighborhoods. These include landlords' willingness to participate in the HCV program and accept vouchers and HCV holders' ties to extended family and community in neighborhoods where they currently reside.

HCV Holders' Experience With the Program

A successful move to a high-opportunity area requires a motivated HCV holder who is able to find a qualifying unit with affordable rent, a willing landlord, and a PHA that is able to complete unit approval and rental activities promptly and effectively. HCV holders' experience with the program also will depend on landlords' responses. Therefore, an HCV holder's experience with the program and the subsequent perceptions will be affected by a combination of personal circumstances and priorities, the ability of the PHA to execute, and the landlord's behavior. Phase 2 research will largely address hypotheses discussed in this section, the results of which will be included in the evaluation's final report.

> **Research Question 1c**
>
> *How did the change to SAFMRs affect HCV holders' experience with the HCV program? What effects did it have on tenants' rent burdens? Did they understand how the change affected their housing options? What were their perceptions of the change? Did the change to SAFMRs influence HCV holders' success in using vouchers to rent units?*

Personal Circumstances and Priorities

The goal of SAFMRs is to make more units in high-opportunity areas available to HCV holders. Access to units in neighborhoods that were previously out of reach may be attractive to HCV holders who are dissatisfied with their current neighborhoods or units but were unable to find alternative affordable housing.

At the same time, the goal of moving to a high-opportunity area may or may not be in sync with an HCV holder's situation at a given point in time. Although affordability is a primary concern, tenant behavior is often driven by other social, emotional, or logistical factors, including hesitation to switch their children's schools (DeLuca and Rosenblatt, 2010), fear of the unknown (for example, not knowing the area or fearing rejection) (Charles, 2006), or lack of information about the benefits of opportunity neighborhoods (Darrah and DeLuca, 2014).

Even for HCV holders who are eager to move, issues such as the cost of moving, including security deposits and first and last month's rent, can be significant barriers. Many low-income families also understand the bang-for-the-buck trade-off they face when searching for housing. They can find cheaper units with more bedrooms or more amenities in higher-poverty areas, which may accommodate their families' needs for space and amenities (Rosenblatt and DeLuca, 2012; Wood, 2014). To assess the impact of SAFMRs, it is important to understand these additional influences on HCV holders' decisionmaking.

PHA Execution
PHA actions can have large impact on an HCV holder's overall success with the program and particularly with mobility initiatives. The concept of payment standards is difficult for some HCV holders to grasp, even when only one payment standard exists per bedroom size. The PHA's success in explaining the opportunities presented by SAFMR, the impact that multiple payment standard areas have on the HCV holder's options, and how much a HCV holder will pay could have a significant influence on outcomes.

The PHA's decisions regarding payment standards also could factor into HCV holder success rates. If PHAs are concerned about having sufficient funding and use flexibility to keep payment standards lower than the market, HCV holders may not be able to access some high-opportunity areas. In addition, SAFMRs may attract landlords in high-opportunity areas who have higher expectations for the PHA's customer service and timeliness in inspecting and approving units or negotiating rent based on the PHA's exercise of the rent reasonableness standard. The PHA's ability to respond will be an important factor in HCV holders' success.

Landlords' Response
The market response likely will be based, in part, on the extent to which the SAFMRs and the resulting payment standards actually provide sufficient funding that will make it possible for HCV holders to rent units in high-opportunity areas. Although landlords in lower-cost neighborhoods may consider lowering (or not increasing) rent to retain a good tenant, it is less likely that landlords in high-opportunity areas will make rent concessions.

However, landlords are not required to participate in the HCV program in most jurisdictions, so the success of SAFMRs in enabling HCV holders to access high-opportunity areas will depend on landlords' willingness to participate in the program. Discrimination, actual and perceived, will also affect whether HCV holders seek, find units, and remain in high-opportunity areas, particularly because landlord discrimination is common in high-rent neighborhoods (Galiani, Murphy, and Pantano, 2012). Also evidence shows that some landlords more aggressively market units to HCV holders when the units are in higher-poverty neighborhoods (Rosen, 2014).

The combination of these forces—HCV holders' personal circumstances and priorities, PHA's ability to execute, and landlords' responses—will interact to determine the impacts on HCV holders. For this interim report, we describe some aspects of HCV holder experiences with the program. This report focuses on impacts that are measurable using administrative data. The study's final report will include additional qualitative measures of impact that will be estimated based on interviews with HCV holders and landlords and additional analysis exploring the quantitative findings.

Hypothesized Impacts of SAFMRs on PHAs

The switch to SAFMRs will affect both HAP contract costs (the level of rent subsidy) and administrative costs.

SAFMRs are likely to affect PHAs in several ways. First, they will likely cause impacts on the subsidy costs per voucher. PHAs have fixed budgets for vouchers during any particular year, so increases in subsidy costs will reduce the number of households that can be served (or require additional funding from HUD to serve the same number of households). Decreases will increase the number of households (or require less funding). We hypothesize that per-unit subsidy costs will decline in some neighborhoods and increase in others. The net effect on per-unit subsidy

Research Question 2

What are the fiscal and administrative impacts of SAFMRs on public housing authorities?

a. What are the implications for subsidy costs and ongoing administrative expenses?

b. What were the financial and human costs of the one-time transition from metropolitan area FMRs to SAFMRs? How did the change affect PHA interaction with HCV holders and potential holders? How did the change affect PHA interaction with landlords?

costs will depend on how successful SAFMRs are in deconcentrating HCV holders from high-poverty, low-rent neighborhoods.

SAFMRs will also alter some administrative responsibilities of PHAs. Some changes are one-time costs associated with implementing SAFMRs, such as adapting the PHAs' *systems of record* (the set of automated tools that maintain HCV program and participant information) to take multiple payment standards into account. Other changes may be recurring, such as answering HCV holder questions about applicable rents in multiple locations. The net effects are unclear, although we anticipate that at least short-term costs will increase. For example, determining payment standards that reflect ZIP Code-level SAFMRs may be a more complex process than determining payment standards using a single metropolitan area FMR. The demands on PHAs of this added complexity might be partially offset for a PHA that previously designated multiple payment standard areas through exception requests to HUD, as the flexibility of SAFMRs reduces the administrative complexity of setting payment standards.

In this section, we first discuss the hypothesized impacts of SAFMRs on subsidy costs. Then we consider the potential impacts on PHAs in terms of ongoing administrative expenses and the one-time transition from metropolitan area FMRs to SAFMRs.

Implications for Subsidy Costs

In some ZIP Codes, SAFMRs are lower than metropolitan area FMRs. In others, SAFMRs are higher. The formula for SAFMRs adjusts FMRs to the ZIP Code level, based on how the median rent in each ZIP Code compares with the metropolitan area median rent. The motivation for the SAFMR demonstration is that currently a disproportionate share of HCV holders live in ZIP Codes where median rents are below the metropolitanwide median. With a decline in payment standards in these ZIP Codes that is of similar magnitude to increases in ZIP Codes with median rents greater than the metropolitanwide medians, subsidy costs will be lower under SAFMRs if HCV holders remain in the same units or ZIP Codes. With enough moves to higher median rent ZIP Codes, however, per-voucher subsidy costs will increase, unless the moves are directly associated with offsetting increases in HCV holder income (and thus, increases in an HCV holder's rent contribution of 30 percent of income).

One analysis of 2014 HUD voucher administrative data and 2015 FMRs and SAFMRs indicates that voucher costs would drop by about 6 percent if SAFMRs were implemented nationally and HCV holders continued to live in the same neighborhoods (Sard and Rice, 2015). In practice, as discussed previously, this result is unlikely, because the change in policy will prompt a behavioral response (Collinson and Ganong, 2015).

Ultimately, the change in HAP costs will depend on how many HCV holders choose high-rent neighborhoods. If few HCV holders move to high-rent neighborhoods, we expect per-unit voucher HAP costs to decrease on average, because the HAP cost in low-rent neighborhoods decrease without any offsetting increase by moves to high rent neighborhoods. If enough HCV holders move to high-rent neighborhoods, we expect per-unit voucher HAP costs to increase on average.

The net effect could vary over time, as existing HCV holders and landlords may not fully adjust to SAFMRs for many years. During the transition phase in which families in lower-cost areas are held harmless for 2 years, there could be increases in subsidy costs as some families move to higher-cost areas, but others stay in lower-cost areas at higher subsidy levels (due to the transition period), leading to increases in subsidy costs. After this transition period, lower payment standards in some neighborhoods may eventually offset initial subsidy increases for units in other neighborhoods.

Also, landlords in higher-cost neighborhoods may initially be unwilling to accept vouchers, limiting the number of HCV holders who locate in higher-cost neighborhoods. Over time, with increased familiarity with the program, more landlords in higher-cost neighborhoods may decide to participate. This increased participation could lead to gradually increasing subsidy costs.

Chapter 6 details our approach to measuring changes in subsidy costs.

Operational Impacts on PHAs

Recognizing that PHAs participating in the demonstration would incur costs to transition from metropolitan area FMRs to SAFMRs, HUD provided supplemental administrative fees to upgrade the computer software to administer the Section 8 voucher program and other necessary expenses. The increase varied by the number of vouchers the PHA administered to a maximum of $300,000 (Kahn and Newton, 2013). These expenses include additional outreach and briefings for families and landlords on the SAFMRs, assistance with relocation issues resulting from the use of SAFMRs, changes to rent reasonableness determinations, and additional training and hiring of staff.

Like HUD, we expect that implementation of SAFMR will alter some PHA administrative responsibilities. It may also increase the volume of transactions the PHA must process or the level of effort required to complete certain activities. In the short term, as PHAs change policies and procedures and staff, HCV holders, and landlords adjust to them, the net effect is likely to be an increase in administrative costs. It is unclear how long the adjustment may take and what the net effect will be on costs and PHA level of effort over time. This section describes the potential impacts on PHAs that should be considered and, to the extent possible, measured during the study.

The hypothetical operational impacts on PHAs fall into three categories.

- **One-time impacts** are the actions and costs required initially to establish SAFMRs. We hypothesize these initial actions and costs will be completed within the first year of SAFMR implementation and, once done, are not repeated.
- **Transitional impacts** are activities and costs that represent a learning curve for the PHA, HCV holders, and landlords. We hypothesize that these activities will generally occur during the first year of SAFMR implementation.
- **Continuing impacts** are program activities or costs that have fundamentally changed as a result of SAFMR, and we hypothesize that they will continue for the life of the program.

Potential One-Time Impacts

Modifications to PHA Policies and Plans. We expect modifications to both administrative plans and PHA plans to implement SAFMRs. Administrative and PHA plans typically contain language related to establishing payment standards, determining rent reasonableness and HCV holder payments, and encouraging the participation of landlords outside poverty or minority concentration areas. Some PHAs include extensive procedural documentation in administrative plans, which may require more expansive modifications.

Modification to PHA Systems. PHAs' systems of record that maintain participant information and other automated tools may require modifications. Systems of record generally contain payment standards and utility allowances. Systems of records may require changes to accommodate the necessary number of payment standards, as well as changes to business logic to permit the selection of different payment standards for the same unit size (number of bedrooms) in each payment standard area. (HCV units will use new SAFMR payment standards. Families already in areas where payment standards go down under SAFMRs will maintain HAP levels regardless of the new payment standard for the first 2 years; however, families who move into this area will have HAPs capped by the new payment standard immediately.)

Modifications similar to those required for the system of record may also be needed on the rent reasonableness tool a PHA uses, depending on its functionality. In addition, most PHAs have some kind of tool to help HCV holders calculate whether units in which they are interested are affordable. That tool also likely will need adjustments. In addition, the transition from metropolitan area FMRs to SAFMRs will have human or intangible impacts. For example, during the short term, staff may experience some confusion during the transition and additional stress as they learn new procedures and skills. It is also possible that this additional stress will lead to some staff turnover.

Potential Transitional Impacts

Transitional impacts are activities and costs that begin with the initial implementation of SAFMR but are likely to continue for multiple years to make the necessary adjustments for SAFMRs. This category includes changes in activity volume and the level of effort required to complete activities.

Establishing Payment Standard Areas and Amounts. PHAs go through the process of establishing payment standards whenever FMRs change, but the process becomes more complex with SAFMRs. With a single FMR and payment standard, PHAs have to balance the need to set payment standards so that total payments are within their available funds, at the same time ensuring full utilization of funds. They must also balance the competing goals of providing fewer tenants with more subsidy assistance or helping more tenants with smaller subsidies. Some PHAs have also used sub-area payment standard areas to make it easier for families to find housing without the PHA inflating rents in lower-rent areas. Other PHAs, however, may not have experience setting multiple payment standard areas.

The task of setting payment standards is more challenging with an increased number of FMRs to consider and the greater emphasis on using payment standards to encourage moves to high-opportunity areas. One question is simply to define the number of payment standard areas. Should a separate payment standard exist for every ZIP Code? Is it better to combine multiple ZIP Codes into a more limited number of payment standard areas? In addition, setting payment standards in a rational way under SAFMRs may require more knowledge of market conditions in sub-areas of a PHA's jurisdiction (although to a significant extent, the SAFMR analysis already provides the PHA with key information on varying rents by area).

The first year will be the most challenging, but learning how best to administer multiple FMRs and to assess their impact on access to high-opportunity neighborhoods likely will be a multiyear effort.

Rent Reasonableness Data and Protocols. In theory, the rent reasonableness determination for a particular unit is independent from the FMR for the same area. By definition, any FMR area (large or small) will contain units that should rent for amounts both higher and lower than the FMR based on the rents of other comparable units in that area. One possibility is that the determination of rent reasonableness under SAFMRs may need less comparative data, as local area baseline rents will largely be embedded in the SAFMR. Alternatively, staff may not be as familiar with the housing stock in high-opportunity areas where few, if any, HCV holders currently live. Landlords may negotiate more aggressively—for example, by objecting to (or advocating for) using a comparable unit rent that is in another payment standard area.

Contract Rent Adjustments. SAFMR payment standards may cause changes in the behaviors of some current landlords and, thereby, increase the number of requests for contract rent adjustments or extend contract rent negotiations. In areas where payment standards have increased, landlords who initially made rent concessions to accommodate specific HCV holders may be motivated to request contract rent adjustments if they understand that adjustments will not affect the HCV holder. Similarly, landlords in those areas that have not requested contract rent adjustments on a regular basis (because they knew any additional increase would be the burden of the HCV holder) may be more likely to request rent adjustments under SAFMRs.

Inspections. If SAFMRs are successful in making accessible previously unavailable neighborhoods, HCV holders will become dispersed over larger areas. This dispersal may affect the productivity of inspectors, increasing time per inspection and also travel costs to inspection sites.

In some locations, inspectors are part of the rent reasonableness process. Such inspectors may need to become familiar with housing stock and rents in additional areas.

Communication and Outreach Strategy and Materials. PHAs have multiple audiences that need different messages about SAFMR. Current program participants (landlords and HCV holders) will have somewhat different concerns than will applicants on waiting lists and landlords not yet participating. This variety of concerns will require revisions to written and electronic materials such as landlord brochures, briefing packets, reexamination packets, web pages, and briefing videos. Although the biggest impact of this material revision process will be in the first year of the program, it is likely that PHAs will learn from initial efforts and will continue to make modifications to outreach approaches and educational materials over time.

Procedures Changes and Staff Training. Detailed procedures and policies will need to be developed and will require staff training and retraining at all levels. Experience with the program will both enable and require PHAs to make improvements in procedures and policies over time.

Support for Tenants. Unless a PHA has already administered a mobility program, the extra effort associated with encouraging and assisting households to consider moving to high-opportunity areas is likely to increase workloads. HCV holders currently living in areas where payment standards decrease will need additional attention in order to understand both the timing and impact of changes on individual situations, as well as housing search assistance and counseling on the benefits of moving to potentially unfamiliar neighborhoods. As of now, some PHAs do not bring in current recipient movers for briefings. With SAFMR, they likely will have to schedule such briefings.

Support for Landlords. Working with new landlords in high-opportunity areas initially may require higher levels of effort for PHA staff until landlords become familiar with the program. This increased effort may include more or specialized briefings. Housing Assistance Payment contract and rent negotiations may be more protracted as well. Outreach and education will be required for current landlords to help with understanding the impact on current HCV holders. Landlord behaviors and questions will differ for those where payment standards decrease versus those where payment standards increase.

Potential Continuing Impacts

SAFMRs may create fundamental and permanent changes in program operations and costs after the transition period.

Inspections. If SAFMR accomplishes its purpose and HCV holders become more dispersed over larger areas, this dispersal may have long-lasting effects on inspector productivity and travel costs.

Support for HCV Holders and Landlords. Permanently increased levels of support for HCV holders and landlords may be needed because of the additional complexities and continued changes of multiple payment standards and the challenges associated with mobility moves.

Quality Assurance. HUD-50058 errors, stemming from selection of the incorrect payment standard, are not unusual even with metropolitan area FMRs. Staff may confuse the voucher size for which a family qualifies with the family-selected unit size when selecting a payment standard. The need for staff to select among multiple payment standard schedules will increase dramatically under SAFMR, and the magnitude of this challenge depends on the set up of a PHA's system of record. The increased risk of input error may require new and vigilant quality assurance processes.

3. Evaluation Data and Methodology

Description of Primary and Secondary Data Sources

The following describes the combination of primary and secondary data we used to estimate the impacts of SAFMRs on PHAs, HCV holders, and landlords.

Primary Data

To collect primary data, we made site visits to each of the seven SAFMR PHAs in May—June 2016. Senior project staff conducted site visits and lasted 1 to 2 days. Site visits included one-on-one and group interviews with executive directors and each location's multiple key staff members that were involved in implementing the transition to and administration of SAFMRs.

Site visits focused on PHA experience with one-time, transitional, and ongoing administrative efforts and the costs related to SAFMRs in 11 different PHA work areas.

One-time (expected to be completed within the first year of transitioning to SAFMRs)—

- Modifications to PHA policies and plans.
- Modifications to PHA systems.

Transitional (expected to extend beyond the first year of the transition)—

- Contract rent adjustments.
- Communication and outreach strategy and materials for tenants and landlords.
- Procedures changes and staff training.
- Support for tenants, including additional tenant briefings and search assistance.
- Support for landlords.

Ongoing—

- HCV budgeting and planning, including setting payment standards.
- Rent reasonableness determinations.
- Inspections.
- Quality assurance.

Site visitors also requested other information including documentation of costs, voucher success rates over time, examples of outreach and training materials, and tenant and landlord briefing materials. Some PHAs were unable to provide complete documentation of the costs related to SAFMRs, therefore the discussion in chapter 5 is based primarily on the recollections and descriptions of direct expenditures and staff hours spent implementing and administering SAFMRs.

Site visitors also asked PHA executive directors and staff to provide context for SAFMR implementation. As discussed in chapter 5, local and national factors such as federal budget sequestration, local market conditions, and local litigation were important in how SAFMRs were implemented by each PHA.

The site visits were also used to gather information about whether and how PHAs track tenant experiences (such as number of units visited and location of units visited during the housing search) that can supplement our understanding of the household-level impacts of SAFMRs on HCV households.

Site visitors also asked PHAs for their perspectives on the experience of HCV holders and landlords with SAFMRs. Our analysis of household-level impacts described in chapter 5 includes this PHA staff insight into tenant experiences. The data collection protocol for Phase 1 site visits is in appendix C.

During the summer of 2017, the second round of site visits will focus on the impacts of the SAFMR demonstration on HCV holders and landlords and will include interviews and focus group discussions with members. Summer 2017 site visits will also follow up with PHAs on administrative efforts and costs related to the ongoing administration of SAFMRs.

Secondary Data

Secondary and administrative data used in the analysis include metropolitan area FMRs, SAFMRs, ZIP Code tabulations of rent distributions, and administrative PIC data maintained by HUD.[12] Our analysis also includes two types of neighborhood-level indicators—opportunity measures and neighborhood characteristics. Neighborhood-level indicators drew from the U.S. Census Bureau's American Community Survey (ACS), the National Center for Education Statistics, local jurisdictions (in the case of crime indicators), and the U.S. Environmental Protection Agency.

FMR, SAFMR, and rent distributions. To improve the usability of SAFMRs for HCV holders and PHAs, HUD chose to define SAFMRs by ZIP Codes rather than by alternative small geography concepts such as a census tract. ZIP Codes are commonly known and available to HCV holders considering a particular unit, whereas census geographies are not. To facilitate our analysis, HUD provided special ZIP Code-level tabulations of the ACS 2008–2012 and ACS 2009–2013 data files that include counts of units by number of bedrooms and rent range for ZIP Codes. The ranges start small, in increments of $50.[13] These fine increments for ZIP Code-level rent distributions enabled us to analyze the effects of SAFMRs on the potential access to high-opportunity neighborhoods at the ZIP Code corresponding to the geography at which SAFMRs are defined.

The Census Bureau provides HUD special tabulations of ACS data on which FMRs are updated annually. Currently, FMRs for the HCV program are determined for metropolitan areas, nonmetropolitan counties, and areas known as HUD Metro FMR Areas. SAFMRs are based on ZIP Codes, approximated by ZIP Code Tabulation Area. The most recent SAFMRs available are for fiscal year 2017.

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12 Data from the U.S. Census Bureau were at the level of ZIP Code Tabulation Area (ZCTA), which are the Census Bureau's representation of ZIP Code service areas defined by the U.S. Postal Service. Although USPS ZIP Code service area definitions may change, ZIP Code service areas and ZCTAs are nearly always identical. Our analysis required the standard translation of ZCTAs to postal ZIP Codes and reverse that is necessary to link census measures to a set of addresses.

13 The 5-year ACS reports the number of units in 21 categories, where rent is less than $100, then with cutoffs increasing by $50 up to $799, then $800–$899, $900–$999, $1,000–$1,249, $1,250–$1,499, $1,500–$1,999, and $2,000 and up.

PIC Data. PIC is HUD's administrative data on the Housing Choice Voucher and public housing programs. PIC has individual-level detail on household characteristics and income and rent information that determines both the amount a HCV holder pays and the amount of the voucher subsidy. For this interim report, we requested HCV program PIC data from HUD for each of the seven SAFMR public housing agencies and PIC data for an additional 138 PHAs as a comparison group in the study. From the same HUD-defined clusters as the five PHAs in the SAFMR demonstration, the additional 138 PHAs were eligible to participate in the SAFMR demonstration but were not invited or did not accept the invitation. We use the additional 138 PHAs to provide a comparative analysis for the business-as-usual HCV program under Fair Market Rents.

We requested PIC data at the HCV household level for our primary outcomes of interest and analysis variables.

- ZIP Code and census tract where a voucher is used.
- Whether a household moves.
- Tenant income and rent payments.
- Total HAP.
- Household demographics.

These measures were collapsed to an annual basis (using the ZIP Code and census tract combination where a household spent most of the year), beginning in 2009 and extending through 2015. For greater presentation clarity, we focused on 3 years of data in our analysis.

- 2010—before SAFMRs were implemented.
- 2013—when SAFMRs were first implemented, but new SAFMR payment standards were not binding for HCV holders previously under lease.
- 2015—after all HCV holders in SAFMR PHAs were subject to SAFMR-based payment standards.

Initial analyses showed that comparisons of 2010 versus 2015 provided the most relevant and clear information on the effects of SAFMRs, therefore this comparison is the focus of much of the presented analysis.

To limit the amount of personally identifiable information in the data transferred from HUD to the research team, we used household identifiers unique to the study and reported household location at the ZIP Code and census tract level, rather than individual addresses. This protection of personal data affected the extent to which we were able to observe households moving within a neighborhood. We used the limited characteristics available in the data extract about the unit in which a household resided to construct a proxy for whether a household moved without changing census tract or ZIP Code. These characteristics are the construction year of the unit, the number of bedrooms in the unit, and the property type (for example, high-rise apartment versus townhome). If these characteristics changed from one year to the next, but the census tract and ZIP Code did not, we inferred that a household had moved within its census tract and ZIP Code. The caveat is that this proxy will not capture a move between two units in the same ZIP Code and census tract that commonly share all three characteristics.

PHA Service Areas. For analysis of the potential for Small Area Fair Market Rents to affect neighborhood access, we determined the set of ZIP Codes within a PHA's service area to know where HCV holders could use a voucher under SAFMR payment standards. Because SAFMRs are defined for ZIP Codes, we identified a list of ZIP Codes for each PHA in our analysis that constituted the PHA's service area.[14] For the SAFMR PHAs, we reviewed the PHA administrative plans for the descriptions of each PHA's service area, then used geographic crosswalks and geographic information system, or GIS, analysis to determine ZIP Codes defining that PHA service area.[15] For the relevant analyses of the 138 comparison PHAs, we relied on PIC data to identify ZIP Codes where HCV holders actually reside. To capture ZIP Codes that might be more affordable under SAFMRs where HCV holders could live, we used GIS analysis to identify all ZIP Codes within the same county that were geographically adjacent to residences of some HCV holders.

Share of Units Renting Under Metropolitan Area FMRS and SAFMRs by ZIP Code. As a measure of how SAFMRs might change an HCV holder's ability to use a voucher, we calculated the percentage of housing units in each ZIP Code that rent below the metropolitan area FMR and below the SAFMR using the special tabulations of ACS data.[16] To calculate the share of units in each ZIP Code accessible to an HCV holder for each time period (before and after introduction of SAFMRs), we divided the total number of units that rented below the FMR or SAFMR by the total number of units in the ZIP Code (from ACS data).[17]

Opportunity Measures. Exhibit 3-1 presents the opportunity measures used for this evaluation. The opportunity measures designed for this study are all initially derived from census tract-level measures. To facilitate analysis corresponding to the ZIP Code-based SAFMRs, we used population-weighted crosswalks to translate the indexes to the ZIP Code level.

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[14] No known data source currently exists that provides definitions of PHA service areas.

[15] The Mamaroneck HCV program is one of 17 distinct HCV programs serving parts of Westchester County, NY, a county of nearly one million people. Although the PHA's original service area was Mamaroneck village, the Town of Mamaroneck, and Larchmont village, the PHA merged with another PHA in 2008 and now has voucher holders throughout Westchester County. Although the PHA has a relatively small HCV program of between 600 and 700 units, after reviewing the PHA's payment standard schedules and conferring with the housing authority staff on what they consider to be the service area, our analysis of the Mamaroneck PHA's rental market was expanded to include all Westchester County.

[16] This measure does not account for rent reasonableness determinations or how PHAs may set payment standard or request exceptions. As such, the share of units renting under FMR or SAFMR may overstate actual affordability, in neighborhoods where payment standards are both relatively higher and relatively lower under SAFMRs as compared with metropolitan area FMRs. A PHA may determine the rent for a particular unit is not reasonable even if it falls below the payment standard for the area. Our primary data collection includes discussions with PHAs about whether the adoption of SAFMRs affects rent reasonableness determinations. The measure takes into account rent data and unit counts and FMRs and SAFMRs for all different unit sizes (number of bedrooms). The rent data were in bands, so we had unit counts for different levels of rent for each unit size. We compared those rents with the FMR and SAFMR for the unit size to determine the number of units that rented below the FMR and SAFMR.

[17] The process by which PHAs set payment standards is often complex and has many inputs and contributing factors. As such, we did not develop an empirical model of this process to predict payment standards for the comparison analysis PHAs in this evaluation. Rather, we used the difference between SAFMRs and metropolitan area FMRs as a proxy for the difference between payment standards set based on SAFMRs and payment standards set based on metropolitan area FMRs.

Exhibit 3-1: Opportunity Indicators

Opportunity Indicator (Data Source)	Description
Overall opportunity index *(Composite of the other opportunity indicators)*	The overall opportunity index was created specifically for this evaluation. It is the percentile rank by renters in the metropolitan area of the simple average of the percentile rank indexes for the share of nonpoor, public school quality, employment access, and environmental hazards.
Percent nonpoor *(American Community Survey [ACS] 5-year estimate, 2010–2014)*	ACS 5-year estimates provide the percent nonpoor for each census tract. The percent nonpoor is the ratio of the population above the poverty level to the total population for whom we determined poverty status. Note that we use the rate nonpoor (1 minus poverty rate) rather than the more traditional poverty rate, so that the index can be consistent with the other indexes and combined into a single composite measure.
Public school quality *(School Proficiency Index, 2011–2012)*	School-level data on state examinations for 4th grade students approximate the quality of local public schools. We base the measure on the public school(s) nearest to each block group and school zone from the School Attendance Boundary Information System. We weighted block group data by numbers of households to create census tract-level data. The higher the score, the higher the school system quality is in a neighborhood.
Employment access *(Jobs Proximity Index, 2010)*	This index measures the access a neighborhood has to employment opportunities as measured by the distance between block groups and job locations weighted by employment size. We weighted block group data by numbers of households to create census tract-level data. The higher the index value, the better the access to employment opportunities for residents in a neighborhood.
Environmental hazards *(Environmental Health Hazard Index, 2005)*	The Environmental Health Hazard Index is a tract-level index of potential exposure to toxins based on National Air Toxic Assessment data from the U.S. Environmental Protection Agency. The higher the value, the better the environmental quality of a neighborhood.

To facilitate comparisons across the opportunity measures and across geographies, we normalized the percent nonpoor, public school quality, employment access, environmental hazard, and crime indexes to be the percentile of the raw index within the population of renters in the metropolitan area. For example, a public school quality percentile score of 50 for a ZIP Code indicates that one-half of the renters in a metropolitan area live in ZIP Codes with a school quality measure lower than that of the ZIP Code, and one-half live in ZIP Codes with a school quality measure higher than that of the ZIP Code. To create the overall opportunity index, we average these component index percentile scores and calculate the percentile of the average score within the metropolitan area.

For clarity of presentation, we categorized ZIP Codes using both the rent ratio measure (neighborhood rent levels relative to metropolitan area rent levels) and the overall opportunity index. For the rent ratio, we created three groups using cutoffs of 0.9 and 1.1 to identify lower, middle, and higher-rent ratio neighborhoods.[18]

- Below 0.9—the median rent in a ZIP Code is less than 90 percent of the metropolitan area median rent.
- Between 0.9 and 1.1—the ZIP Code median rent is within 10 percent of the metropolitan area median rent.
- Above 1.1—the ZIP Code median rent is more than 110 percent of the metropolitan area median rent.

For each individual opportunity measure (and for the composite index of opportunity measures), we use cutoffs of the 25th and 75th percentiles within the applicable metropolitan area to again create three groups.

- ZIP Codes with opportunity values below 25 contain the one-fourth of renters in the metropolitan area with the lowest score for that opportunity measure or for the index as a whole.
- ZIP Codes with opportunity values above 75 contain the one-fourth of renters in the metropolitan area with the highest score for that opportunity measure or for the index as a whole.
- ZIP Codes with opportunity values between 25 and 75 contain the one-half of renters in the metropolitan areas with intermediate opportunity scores.

Neighborhood Characteristics. In addition to opportunity measures, we conducted an additional analysis of how SAFMRs change where HCV holders reside in terms of key socioeconomic and demographic characteristics of the community. The most prominent was the ZIP Code rent ratio. The other measures we included are racial and ethnic composition, the share of families with children, and percent of adults with college degrees.[19] These characteristics are not included in our composite measure of opportunity, but they are important for understanding the effects of SAFMRs on neighborhood composition where HCV holders reside.

ACS data are collected on a rolling basis monthly during a calendar year. This report uses neighborhood estimates from data collected during a time period spanning 5 years. As such, ACS waves are not suited to measuring year-to-year differences, as each year's data includes multiple years. It is also not anticipated that neighborhood characteristics will change as a result of implementing SAFMRs, particularly during the time frame studied in the evaluation. Therefore, for this evaluation, we focus our analysis on comparing SAFMRs with metropolitan area FMRs based on a single snapshot of neighborhood characteristics at around the time the SAFMR demonstration began. We used 5-year ACS estimates for 2010–2014 for these characteristics.

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[18] The final report will use up to five groups to look at rents outside the payment standard discretion of PHAs.
[19] The final report will include other characteristics such as share of households headed by seniors.

Comparison PHAs

In addition to analyzing the seven SAFMR PHAs, we used a set of comparison PHAs that continued to use metropolitan-area based FMRs (that is, these PHAs did not use SAFMRs). The comparison PHAs included all PHAs in the clusters from which the five SAFMR demonstration PHAs were drawn. As described in appendix A, all PHAs deemed eligible to participate in the demonstration were assigned to the clusters based on size and the percentage of the working age population.

Our comparison group includes all PHAs in clusters that include demonstration PHAs: clusters 2, 4, 5, 6, and 7. This comparison group represents 138 PHAs and slightly more than 550,000 voucher households (in 2015).[20] This number of households provides a broad base that enables comparisons for different types of neighborhoods—notably those for which SAFMRs would increase and decrease payment standards. Because the two Dallas-area PHAs were not selected into the SAFMR demonstration, they were not part of any cluster. However, Dallas would have fallen on the border of clusters 5 and 6, and Plano would have been classified in cluster 2. Therefore, the comparison PHAs in clusters 2, 5, and 6, nonetheless, provide a viable comparison for the two PHAs.

Appendix E includes each of the analyses in chapters 4, 5, and 7 broken out for each cluster.

[20] Note that the 138 comparison PHAs included the four PHAs within three of these clusters that declined the invitation to participate in the SAFMR demonstration. We are not aware of any evidence that these PHAs differ from demonstration PHAs in a way that would make them unsuitable for inclusion in the set of analysis PHAs.

4. Changes in Housing Choice Voucher Holders' Potential Access to High-Opportunity Neighborhoods

This chapter presents preliminary findings on the ***potential*** impacts of the switch to SAFMRs on HCV holders' ability to ***access*** low-, moderate-, and high-rent areas. Key findings of this analysis follow, focusing on SAFMR PHAs as a group. The chapter documents individual variation from PHA to PHA, which was considerable.

- SAFMRs increase the number of units with rents below the applicable FMR in high-rent ZIP Codes and reduce the number in low-rent ZIP Codes.
- However, the gain in units with rents below the applicable FMR in high-rent ZIP Codes does not offset the loss in the number of units below the FMR in low-rent ZIP Codes, resulting in a net loss of units with rents below the FMR.
- The high-rent ZIP Codes to which HCV holders gain access via SAFMRs offer higher opportunity to residents on all measures: lower poverty, higher school proficiency, higher job proximity, higher environmental quality, and lower rates of both property and violent crime.

As described in the previous section titled Hypothesized Impacts of SAFMRs on HCV Holders, SAFMRs are expected to change the permissible range for payment standards across ZIP Codes within a metropolitan area. In general, with the implementation of SAFMRs, it is expected that payment standards increase in high-rent ZIP Codes and decrease in low-rent ZIP Codes, particularly for ZIP Codes with median rent much greater than or less than the metropolitan area median. In such ZIP Codes, the range of 90 to 110 percent of SAFMR within which PHAs can set a SAFMR-based payment standard may be outside the 90 to 110 percent range of the metropolitan area FMRs.

Thus, compared with metropolitan area FMRs, a larger share of units in high-rent ZIP Codes should be affordable to HCV holders in a SAFMR PHA, and a smaller share of units should be affordable to HCV holders in low-rent neighborhoods. This change is the primary mechanism through which SAFMRs might alter HCV holders' access to and location in high-rent ZIP Codes. To the extent that rents correlate with access to opportunity, changes in the share of units affordable with vouchers in high- and low-rent neighborhoods will shift HCV holders' access to opportunity.

To identify low-, moderate-, and high-rent ZIP Codes, we use the *rent ratio,* which is comparable across metropolitan areas and ZIP Codes. The rent ratio is the ratio of the median rent in each ZIP Code to the median rent for the metropolitan area. HUD uses rent ratio to calculate SAFMRs (Federal Register, 2010).

Definition: $$\text{Rent Ratio} = \frac{\text{Median Gross Rent for ZIP Code}}{\text{Median Gross Rent for the CBSA (metropolitan area)}}$$

The two-bedroom SAFMR for a ZIP Code equals the two-bedroom FMR multiplied by the rent ratio. HUD calculated the rent ratios for each ZIP Code using special tabulations of ACS data.[21]

[21] SAFMRs are also bounded below by the state nonmetropolitan minimum FMR and above by 150 percent of the 40th percentile rent metropolitan area FMR.

Using rent ratios already calculated for SAFMRs by HUD, we were able to identify rent ratios for each ZIP Code as the ratio of the two-bedroom SAFMR (or hypothetical SAFMR) to the two-bedroom metropolitan area FMR, avoiding the need to repeat HUD's analysis of the special tabulations of rent ratios:

Calculation for analysis: $$\text{Rent Ratio} = \frac{\text{SAFMR (2 bed)}}{\text{FMR (2 bed)}}$$

Using this ratio—

- If the rent ratio > 1, it means that the median rent in the ZIP Code is greater than the median rent of its metropolitan area. For example, a rent ratio of 1.25 means that the ZIP Code median rent is 25 percent *higher* than the metropolitan area median rent.
- A rent ratio of 1 means that the median rent in the ZIP Code is *equal to* the median rent of its metropolitan area.
    - If the rent ratio < 1, it means that the median rent in the ZIP Code is lower than the median rent of its metropolitan area. For example, a rent ratio of 0.75 means that the ZIP Code median rent is 25 percent *lower* than the metropolitan area median rent.

All ZIP Codes with published SAFMRs and available counts of rental units (from ACS data), one-half of rental units are in ZIP Codes with a rent ratio between 0.9 and 1.08, the 25th and 75th percentile, respectively, of the ZIP Code rent ratio across all rental units. Based on this distribution, we define neighborhoods as follows.

- Low-rent neighborhoods are ZIP Codes with a rent ratio below 0.9.
- Moderate-rent neighborhoods are ZIP Codes with a rent ratio from 0.9 to 1.1.
    - High-rent neighborhoods are ZIP Codes with a rent ratio above 1.1.

Exhibit 4-1 summarizes the SAFMR PHAs as a group and individually, reporting the number of rental units and ZIP Codes in the jurisdiction and in each rent ratio category.[22] As shown, the PHAs are a diverse group in terms of size and rental unit distribution. Laredo is by far the smallest, with only five ZIP Codes and fewer than 26,000 rental units. Dallas is by far the largest with 168 ZIP Codes and more than 650,000 rental units. Note that the numbers of units and ZIP Codes in each PHA's jurisdiction do not sum to the All SAFMR PHAs values, because all but one of the Plano PHA's ZIP Codes is also in the Dallas PHA jurisdiction.

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[22] To determine PHA jurisdictions for the chapter 4 analysis, we reviewed PHA administrative plans, annual plans, and websites. We also verified jurisdictions with PHAs during site visits. For Mamaroneck, we include all of Westchester County, because the PHA actively seeks to locate HCV holders throughout the county. For Dallas, we include ZIP Codes that are subject to SAFMRs (approximately 2 percent of HCV holders in Dallas live outside the Dallas HMFA). For Plano, we include ZIP Codes in Collin County plus additional ZIP Codes close to the county border in Dallas and Denton counties based on the number of Plano HCV holders that live in those ZIP Codes.

Exhibit 4-1: Rental Units and ZIP Codes by Rent Ratio

		n	Rent Ratio					
			< 0.9		0.9–1.1		> 1.1	
All SAFMR PHAs	Units	1,290,864	380,598	(29%)	588,330	(46%)	321,936	(25%)
	ZIP Codes	411	87	(21%)	186	(45%)	138	(34%)
Laredo	Units	25,544	6,582	(26%)	15,228	(60%)	3,734	(15%)
	ZIP Codes	5	1	(20%)	3	(60%)	1	(20%)
Mamaroneck	Units	143,226	51,090	(36%)	64,066	(45%)	28,069	(20%)
	ZIP Codes	67	9	(13%)	32	(48%)	26	(39%)
Chattanooga	Units	53,390	8,638	(16%)	36,152	(68%)	8,600	(16%)
	ZIP Codes	30	6	(20%)	21	(70%)	3	(10%)
Cook County	Units	291,302	96,374	(33%)	130,023	(45%)	64,904	(22%)
	ZIP Codes	127	37	(29%)	53	(42%)	37	(29%)
Long Beach	Units	107,946	60,531	(56%)	35,990	(33%)	11,425	(11%)
	ZIP Codes	13	5	(38%)	5	(38%)	3	(23%)
Dallas	Units	668,981	157,382	(24%)	306,396	(46%)	205,23	(31%)
	ZIP Codes	168	29	(17%)	71	(42%)	68	(40%)
Plano	Units	236,040	21,549	(9%)	111,166	(47%)	103,324	(44%)
	ZIP Codes	52	1	(2%)	21	(40%)	30	(58%)

SAFMR = Small Area Fair Market Rent. PHA = public housing agency.
Note: Analysis data set includes all ZIP Codes in PHA service areas where SAFMRs are implemented. Percentage of total counts for each row in parentheses.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 SAFMRs; 2012 American Community Survey 5-year estimates (total rental units)

As shown in Exhibit 4-1, the share of rental units in high-rent and low-rent ZIP Codes varies considerably by PHA. This variation has to do, in part, with how rent levels within a PHA's jurisdiction differ from rent levels within the broader metropolitan area on which its metropolitan area FMR is based. Rent ratios in Long Beach are calculated using the median rent for the much larger Los Angeles-Long Beach HUD Metro FMR Area. Although 3 of the 13 ZIP Codes in Long Beach's jurisdiction have median rents that are more than 110 percent of the Metro FMR Area median, these ZIP Codes have few rental units (for example, high owner-occupancy rates). As such, more than nine times as many rental units have rent ratios below 0.9 in the five ZIP Codes as in the three high-rent ratio ZIP Codes. These examples illustrate that, particularly for PHAs that operate in a small portion of a metropolitan area, SAFMRs may be mostly above or mostly below metropolitan area FMRs.

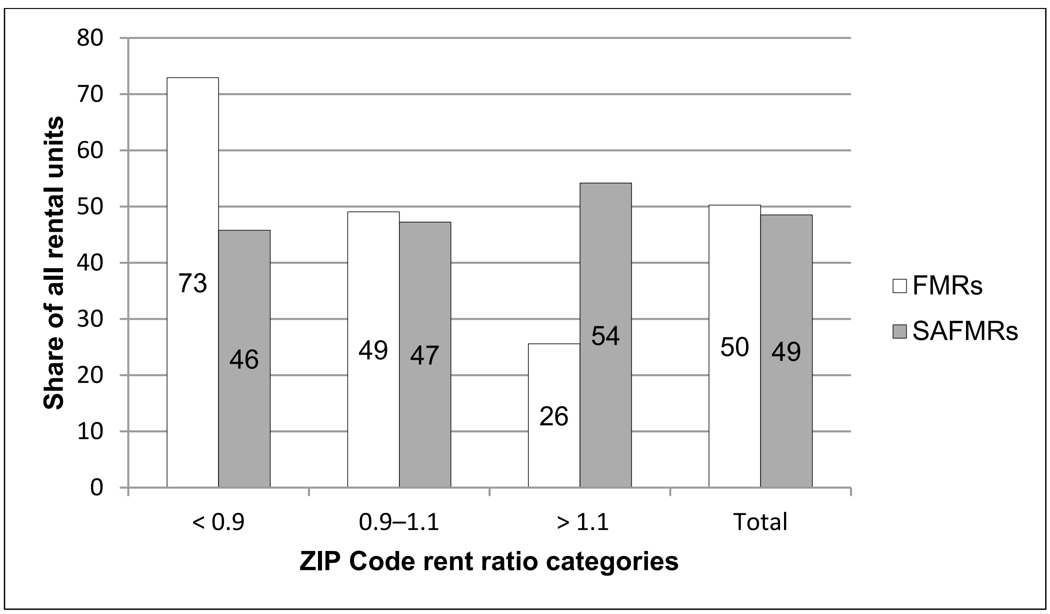
This variation is consistent with the motivation for SAFMRs. Under traditional FMRs, a small PHA in a large metropolitan area faces FMRs that may be too generous or too stingy for its particular jurisdiction, because the FMRs are based on rents in the broader metropolitan area.

Keep in mind when interpreting the analyses presented in this chapter that some SAFMR PHAs had SAFMRs that were mostly higher than the metropolitan area FMR in their area, when others had SAFMRs that were mostly lower. We categorize rent ratios, opportunity measures, and neighborhood characteristics based on how ZIP Codes compare with the metropolitan area in which they are located. This comparison is useful in interpreting results in light of opportunities available across a ZIP Code's larger community (metropolitan area). It is less useful for observing possible effects within a smaller geography that is mostly different (for example, with a consistently higher or lower rent ratio) from the encompassing larger geography.

SAFMRs Increase Access to High-Rent ZIP Codes Across Sites

As expected, SAFMRs increase the share of rental units with rents below the FMR in high-rent neighborhoods and reduce the share in low-rent neighborhoods. Exhibit 4-2 shows the share of rental units with rents below the FMR and SAFMR by rent ratio across the study ZIP Codes.[23] Under metropolitan area FMRs, nearly three-fourths of units in low-rent ZIP Codes are below the FMR, as are slightly more than one-fourth of units in high-rent ZIP Codes.

Exhibit 4-2: Share of Rental Units Below SAFMR and Metropolitan Area FMR



FMR = Fair Market Rent. SAFMR = Small Area Fair Market Rent.
Note: Analysis data set includes all ZIP Codes in public housing agency service areas where SAFMRs are implemented.
Sources: HUD FY2015 FMRs; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units)

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[23] We calculated the share of units with rents below the applicable FMR using a file from HUD that had rents by unit size in range bands for each ZIP Code. To calculate the share of units with rents below the applicable FMR, we assumed within the rent range band that included the applicable FMR that one-half the units had rents below the applicable FMR. For each unit size, we determined the number of units renting below the respective unit size FMR in the respective unit count by unit size rent range. We then summed these units across unit sizes and divided by the total number of rental units across all unit sizes to determine the share of all rental units below the applicable FMR.

By design and in practice, under SAFMRs, affordability is much more evenly distributed across types of neighborhoods. Roughly one-half of units have rents below the FMR in each neighborhood type. Also as expected, changes in the share of units with rents below the FMR in moderate-rent ZIP Codes ("moderate" meaning between 0.9 and 1.1) are fairly modest.

Access to High-Rent ZIP Codes Under SAFMRs Varies Across Sites

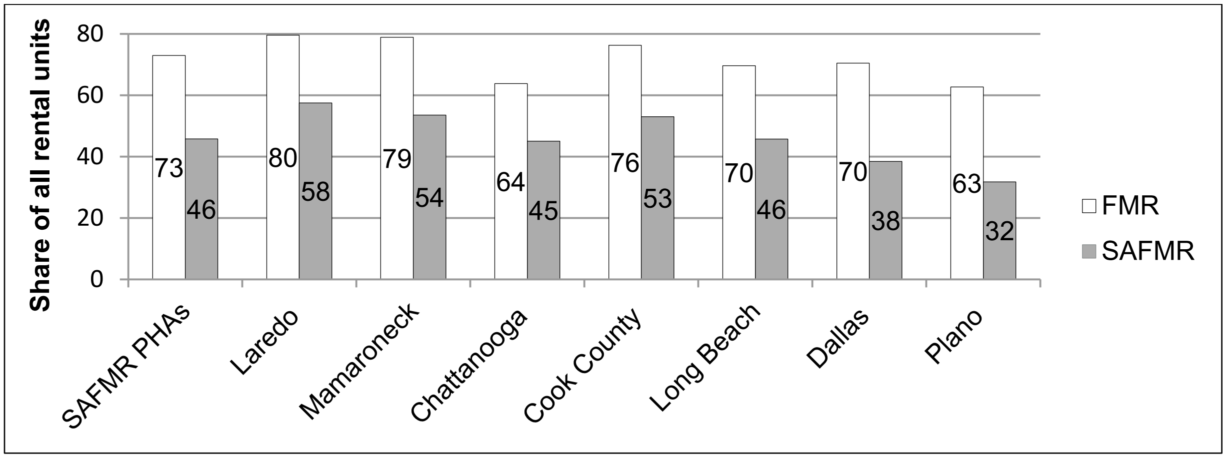
The pattern of rental units with rents below FMRs is generally similar to the pattern for the SAFMR PHAs as a group, but important differences exist across PHAs. Exhibit 4-3 shows the share of units with rents below the applicable FMR by rent ratio for each of the SAFMR sites. Across all sites, a consistent pattern holds—the share of units with rents below SAFMR, and thus potentially available to HCV holders in high-rent ZIP Codes, increases. It decreases in low-rent ZIP Codes.[24] The largest changes in the share of units below the FMR in low-rent ZIP Codes were in Dallas and Plano, where the share of rental units with rents below SAFMRs dropped by slightly more than 30 percentage points compared with metropolitan area FMRs. The smallest change was in Chattanooga with a drop of 19 percentage points. In high-rent ZIP Codes, the largest change was in Laredo, where the share of units with rents below SAFMR increased by 39 percentage points. The smallest change was again in Chattanooga, with an increase of only 11 percentage points compared with metropolitan area FMRs.

In moderate-rent ZIP Codes, changes in the share of units with rents under SAFMRs are mostly modest, falling at or below 5 percentage points in five of the seven PHAs. The share drops in comparison to metropolitan area FMR for four of the seven. The difference ranges from 1 percentage point in Cook County and Laredo to 5 percentage points in Dallas. For three PHAs, Chattanooga, Long Beach, and Mamaroneck, the share of units in moderate-rent ZIP Codes with rents under SAFMR is higher than under metropolitan area FMR. In Chattanooga, this difference is small (4 percentage points), but in Long Beach, the difference is 7 percentage points higher than under metropolitan area FMRs. In Mamaroneck, the difference is 6 percentage points.

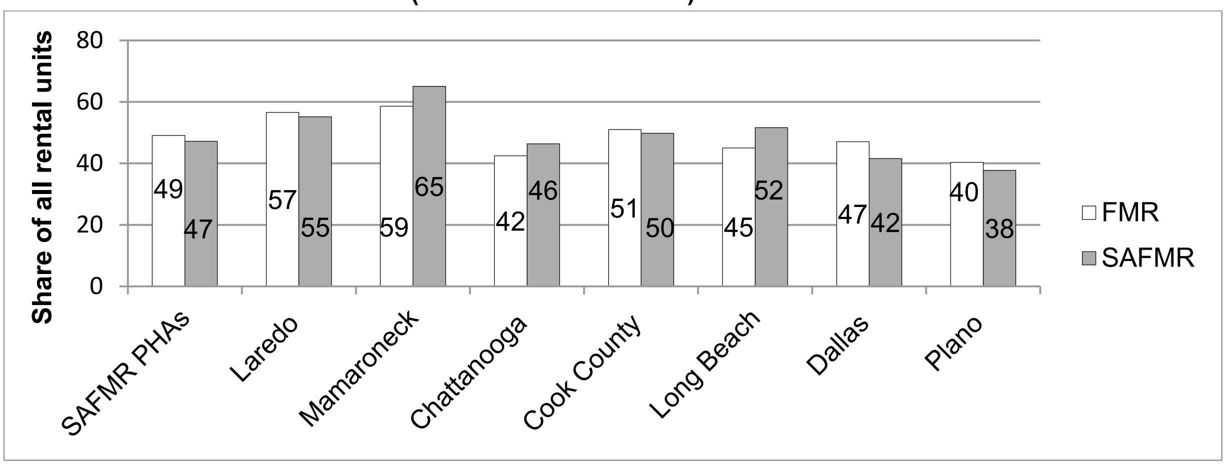
[24] Throughout this chapter we use the phrase *applicable FMR* to refer to side-by-side comparisons of SAFMR and FMR.

Exhibit 4-3: Share of Rental Units Below SAFMR and Metropolitan Area FMR by Site

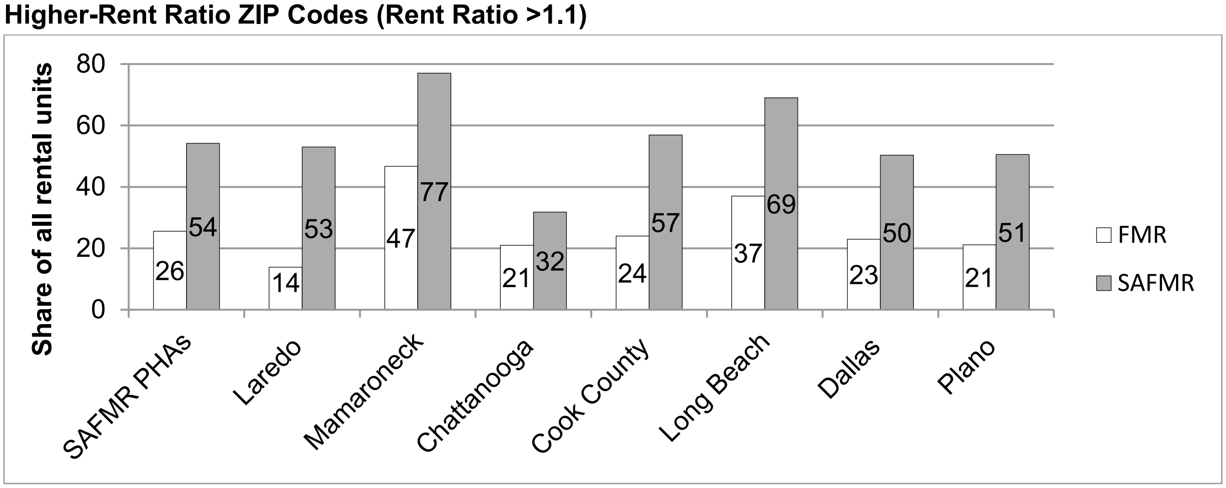
Lower-Rent Ratio ZIP Codes (Rent Ratio < 0.9)



Moderate-Rent Ratio ZIP Codes (0.9 < Rent Ratio < 1.1)



Higher-Rent Ratio ZIP Codes (Rent Ratio >1.1)

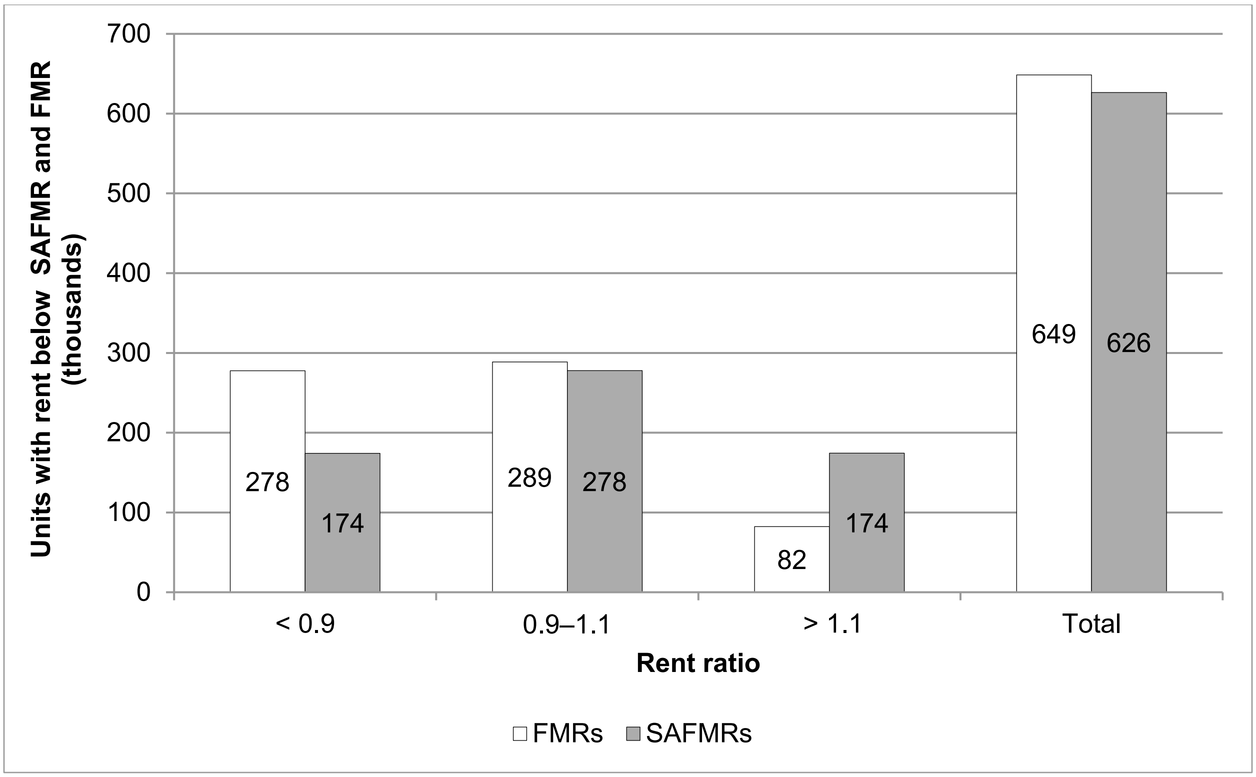


FMR = Fair Market Rent. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Note: Analysis data set includes all ZIP Codes in PHA service areas where SAFMRs are implemented.
Sources: HUD FY2015 FMRs; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units)

SAFMRs Reduce the Overall Number of Units With Rents Below the FMR

Importantly, for the SAFMR PHAs as a whole, and in five of the seven individual SAFMR PHAs, fewer units have rents below the SAFMR than the metropolitan area FMR (Exhibit 4-4). The exhibit shows that as intended, SAFMRs increase potential access to units in high-rent neighborhoods, more than doubling the number of units with rents below the SAFMR. By the same token, SAFMRs decrease the number of units with rents below the SAFMR in low-rent neighborhoods, reducing the number of units available to HCV holders by more than one-third. SAFMRs also slightly reduce units below the FMR in moderate-rent neighborhoods.

Exhibit 4-4: Count of Rental Units (1,000s) Below Metropolitan Area FMR and SAFMR



FMR = Fair Market Rent. SAFMR = Small Area Fair Market Rent.
Note: Analysis data set includes all ZIP Codes in public housing agency service areas where SAFMRs are implemented.
Sources: HUD FY2015 FMRs; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units)

The net effect is that across all site ZIP Codes, a total of slightly more than 648,500 units have rents below the metropolitan area FMR, compared with slightly less than 626,500 units with rents below the SAFMR. This difference is a loss of more than 22,000 units that have rents that indicate they might otherwise be available to HCV holders. With a total of more than 1,290,000 rental units in these ZIP Codes, this difference represents a potential loss of 1.7 percent of the total rental stock with rents that are accessible by HCV holders, or 3.4 percent of the stock that would have rents under metropolitan area FMRs.

The effective impact of the loss of these units to HCV holders could be similar to a decrease in the rental vacancy rate of the same magnitude in terms of the difficulty of finding units. HCV holders' challenge to finding units under SAFMRs could potentially be further compounded by other challenges, such as a lack of familiarity with many of the neighborhoods where a larger number of units become available.[25]

Note that this discussion assumes that PHAs set payment standards equal to FMRs, which was not always the case. Because this discussion focuses on the *potential* availability of units to voucher holders under SAFMRs, and because PHAs in the future may make decisions about payment standards different from the SAFMR PHAs, we believe that a focus on 100 percent of the FMR and SAFMR was the most appropriate approach for this part of the analysis.[26]

Declines in Units With Rents Below SAFMR

The decline in units with rents below the applicable FMR due to the introduction of SAFMRs is not evenly distributed across the study sites. As shown in Exhibit 4-5, most of the drop in units with rents below the SAFMR is for the Dallas and Long Beach PHAs. Dallas is not surprising, because it is the largest PHA in terms of total rental units.

Exhibit 4-5: Comparison of Total Units With Rents Below the SAFMR and Metropolitan Area FMR

	Total Units With Rents Below FMR, All ZIP Code Rent Ratios		Difference	Percentage Change, SAFMR Versus FMR
	SAFMR	FMR		
All SAFMR PHAs	626,483	648,607	– 22,125	– 3.4
Laredo	14,163	14,317	– 208	– 1.4
Mamaroneck	90,665	90,955	– 290	– 0.3
Chattanooga	23,395	22,673	721	3.2
Cook County	152,749	155,401	– 2,652	– 1.7
Long Beach	54,140	62,575	– 8,435	– 13.5
Dallas	291,066	302,246	– 11,180	– 3.7
Plano	101,009	80,163	20,846	26.0

FMR = Fair Market Rent. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Note: Analysis data set includes all ZIP Codes in PHA service areas where SAFMRs are implemented.
Sources: HUD FY2015 FMRs; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units)

Long Beach, however, is the fifth largest PHA, ahead of only Chattanooga and Laredo, but had the third largest decrease in units available. In Laredo and Mamaroneck, shifting to the SAFMR resulted in virtually no change in the overall number of units below the applicable FMR. These PHAs are unique among the SAFMR PHAs in that their jurisdictions are the same as the geographies for which their respective FMRs are calculated. Impacts in Chattanooga and Cook County were also fairly small. In percentage terms, Long Beach had by far the largest drop in units with rents below the applicable FMR.

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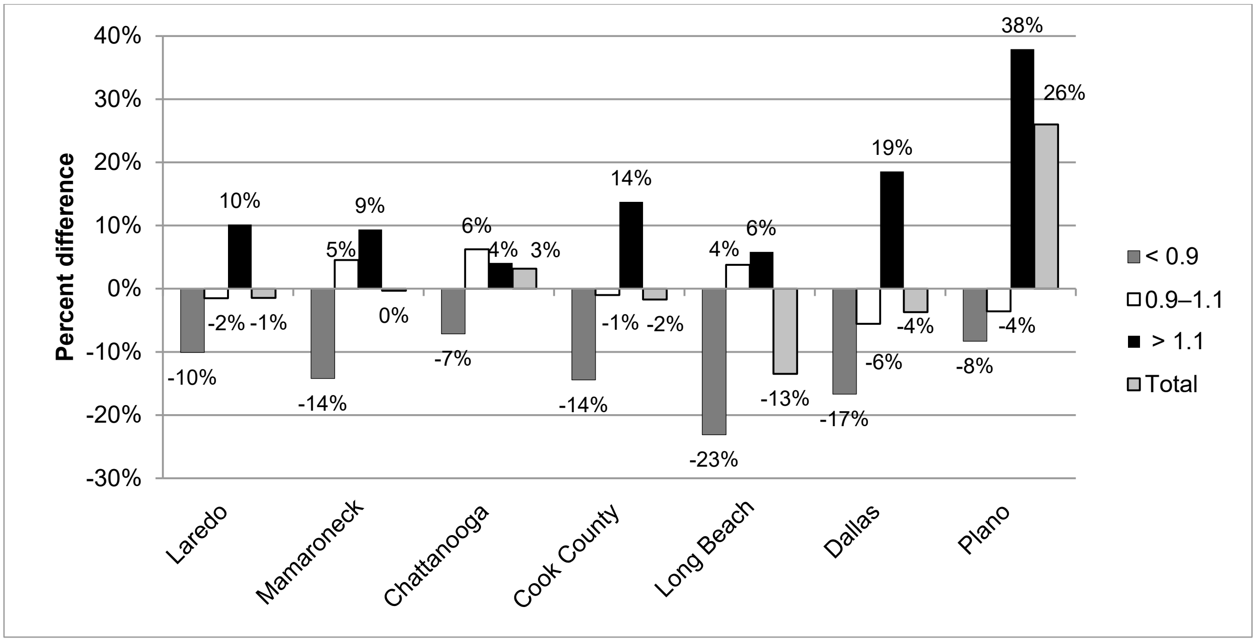
[25] We will examine potential challenges tenants face in responding to SAFMRs in the second phase of this study.
[26] In the final report we will review the payment standards for these seven PHAs and compare them with the payment standards for the comparison PHAs.

The size of the net change in units below the applicable FMR in a given geography depends on how rental units are distributed across low-, moderate-, and high-rent ZIP Codes. In general, if fewer rental units (that is, a higher rate of homeownership) are in high-rent ZIP Codes than in low-rent ZIP Codes (that is, a lower rate of homeownership), then the shift to SAFMRs will mean fewer units with rents below the SAFMR than with rents below the metropolitan area FMR. The cap on SAFMRs of 150 percent of the 40th percentile metropolitan area FMR may also contribute to this difference. If a given PHA has many very high rent ZIP Codes (rents greater than 150 percent of the FMR) relative to the overall metropolitan area, the cap on SAFMRs may result in few rental units renting below the SAFMR. Of course, these units would not rent below the FMR either. The final report will include additional analysis of the importance of the 150 percent cap in determining the share of units that are affordable under SAFMRs.

Exhibit 4-6 shows the difference in units with rents below SAFMR and FMR by rent ratio for each PHA as a share of units with rents below FMR. No consistently predictable pattern emerges. In some PHAs, including Dallas and Cook County, the loss of units renting below the applicable FMR in low-rent neighborhoods roughly offsets the gain in units in high-rent neighborhoods. In these PHAs' jurisdictions, the drop in units with rents below SAFMRs is driven by the decline in units with rents below SAFMR in moderate-rent neighborhoods. In Chattanooga and Laredo, the net change in units in each neighborhood type is very small, therefore additions and subtractions essentially cancel each other out. In Mamaroneck, units in low-rent neighborhoods declined significantly, but these changes roughly equal the combined increase in affordable units in moderate-rent and high-rent neighborhoods. In Long Beach, large losses in low-rent neighborhoods more than offset small gains in high-rent and moderate-rent neighborhoods, leading to a substantial net decline. In Plano, a substantial (nearly 40 percent) increase in the high-rent neighborhoods occurred, but the combined decrease in the low- and moderate-rent neighborhoods is only 12 percent. Additionally, as shown in Exhibit 4-7, the share of units under the applicable FMR in each PHA's jurisdiction in each ZIP Code rent ratio category varies widely across the SAFMR sites.

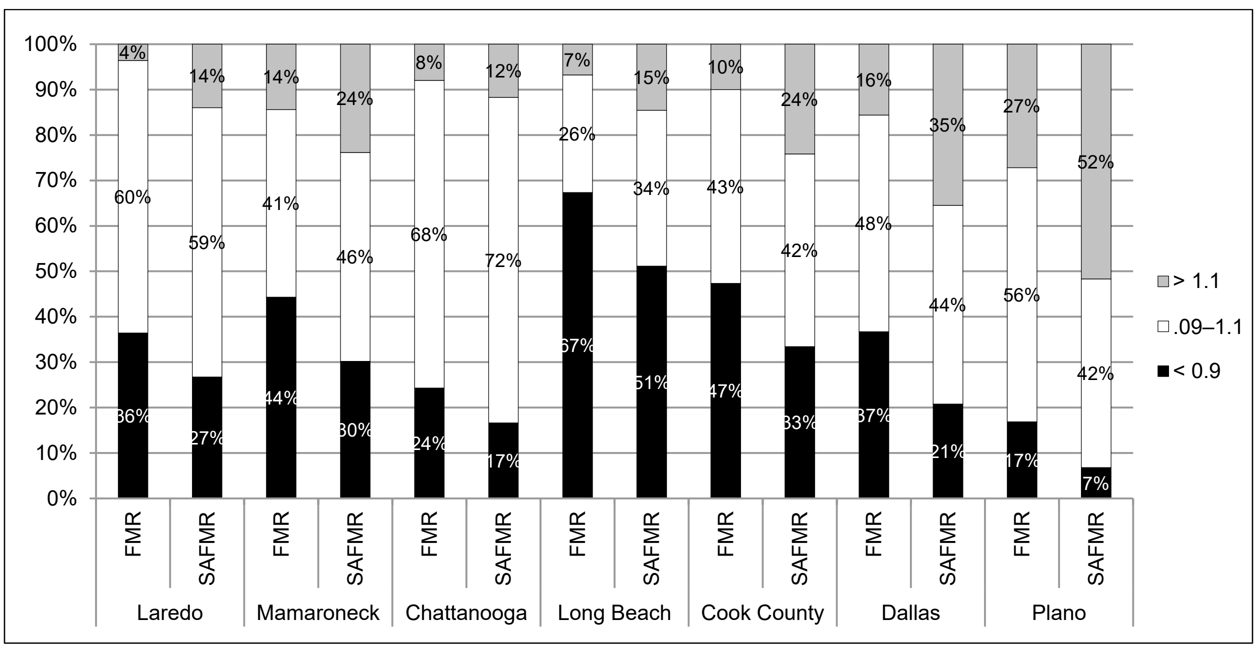
Exhibit 4-7 shows the share of all rental units with rents below the applicable FMR in each PHA's jurisdiction within each rent ratio category. Exhibit 4-7 depicts how SAFMRs result in a different distribution of the types of ZIP Codes where units are likely to be affordable to HCV holders. In Long Beach, for example, SAFMRs have the biggest effect on the availability of units in low-rent ZIP Codes. As shown in Exhibit 4-7, nearly 70 percent of all units with rents under metropolitan area FMRs in Long Beach are in low-rent ZIP Codes, whereas only about one-half of the units renting under SAFMRs in Long Beach fell within low-rent ZIP Codes. In Long Beach, the loss in the share of units with rent below the applicable FMR in low-rent ZIP Codes was offset by increases split between the shares in moderate- and high-rent ZIP Codes. In Laredo, by contrast, the share of available units in moderate-rent ZIP Codes changed relatively little, so that declines in the share of units in low-rent ZIP Codes were offset mostly by gains in high-rent ZIP Codes.

Exhibit 4-6: Difference in Units With Rents Below SAFMR and Metropolitan Area FMR as a Percentage of Units With Rents Below FMR by Rent Ratio



FMR = Fair Market Rent. SAFMR = Small Area Fair Market Rent.
Note: Analysis data set includes all ZIP Codes in public housing agency service areas where SAFMRs are implemented.
Sources: HUD FY2015 FMRs; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units)

Exhibit 4-7: Distribution of Units With Rents Below Applicable FMR by ZIP Code Rent Ratio

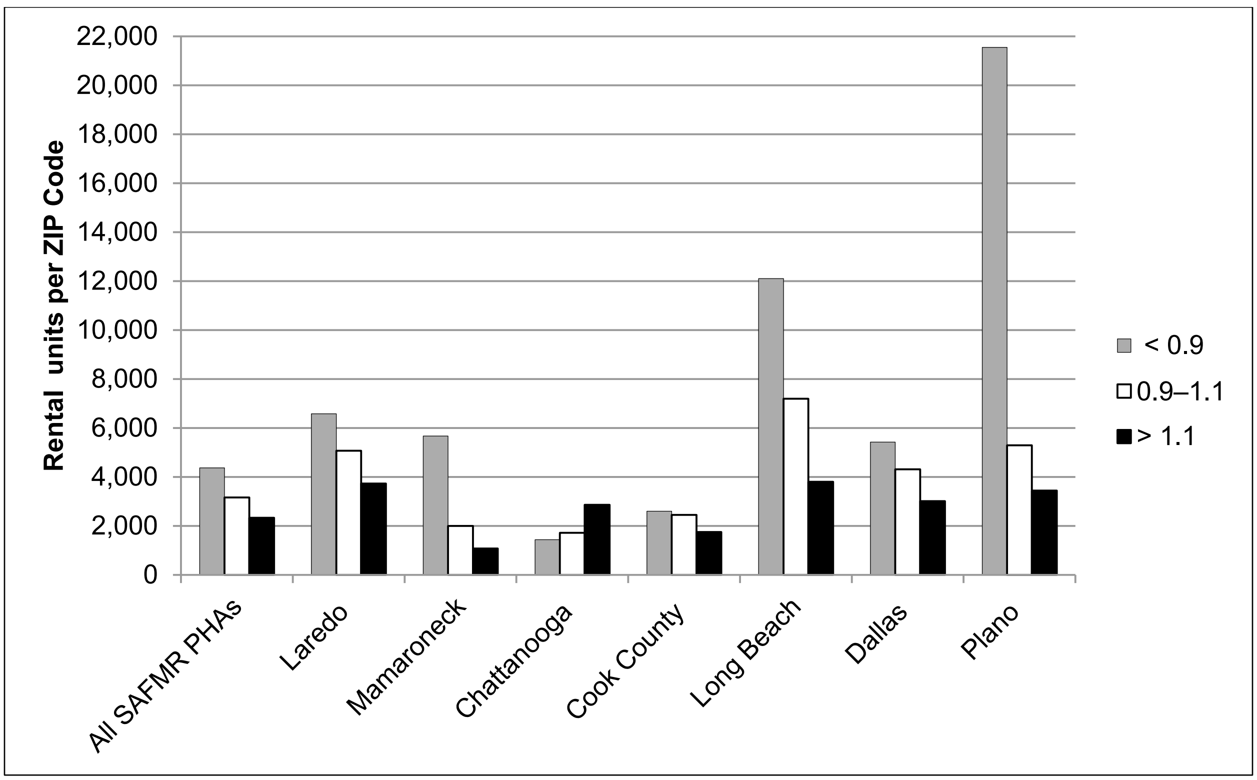


FMR = Fair Market Rent. SAFMR = Small Area Fair Market Rent.
Note: Analysis data set includes all ZIP Codes in public housing agency service areas where SAFMRs are implemented.
Sources: HUD FY2015 FMRs; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units)

Declines in Units With Rents Below SAFMR Are a Consequence of the Concentration and Distribution of Rental Units Across ZIP Code Types

A partial explanation for the loss of more than 22,000 units potentially available to voucher holders is shown in Exhibit 4-8, which summarizes the average number of rental units in low, moderate, and high-rent ratio ZIP Codes overall and in each PHA's jurisdiction. As shown, across the SAFMR ZIP Codes, fewer rental units of any kind—whether affordable to voucher holders or not—are in high-rent ZIP Codes than in low-rent ZIP Codes. This difference is also true in six of the seven PHAs' jurisdictions and dramatically so in Long Beach and Plano, with an average of more than 12,000 rental units per low-rent ZIP Code but only about 4,000 per high-rent ZIP Code. The one exception is Chattanooga, which has more rental units per high-rent ZIP Code than per low-rent ZIP Code. This distribution of rental units is to be expected, as low-rent ZIP Codes tend to be densely populated urban neighborhoods, and high-rent ZIP Codes tend to be lower-density suburban neighborhoods. Nevertheless, with declining FMRs in low-rent ZIP Codes and increasing FMRs in high-rent ZIP Codes, the net effect was an overall loss in units.

Exhibit 4-8: Average Number of Rental Units per ZIP Code by Rent Ratio Category



PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 SAFMRs; 2012 American Community Survey 5-year estimates

SAFMRs Increase Access to ZIP Codes With Higher Opportunity Measures

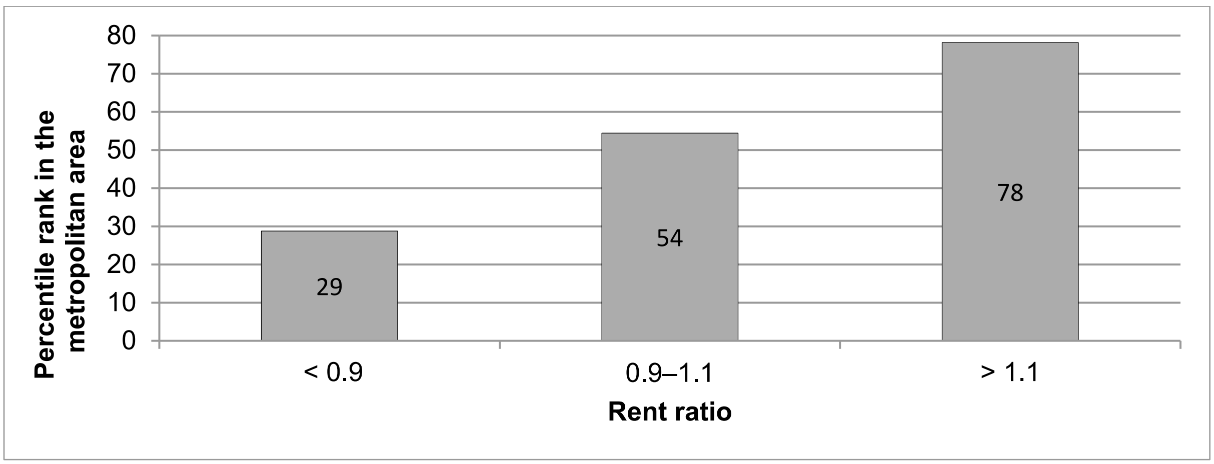
We now turn to examining the extent to which the shift to SAFMRs increases the potential access of HCV holders to areas of opportunity. As noted in chapter 3, our measures of access to opportunity are poverty, school proficiency, job proximity, environmental quality, and incidence of crime.

Opportunity Measures by Rent Ratio

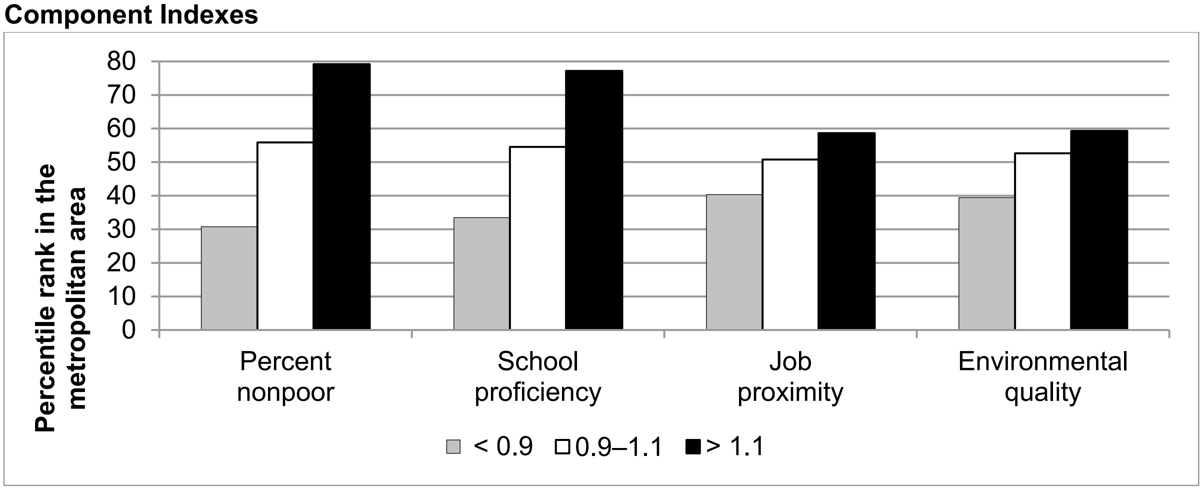
The series of panels in Exhibit 4-9 show the opportunity measures by rent ratio, confirming the hypothesis that opportunities are greater in high-rent ZIP Codes. In low-rent ZIP Codes, the average value (over all rental units) of our index of overall opportunity is 29, compared with 54 in moderate-rent ZIP Codes, and 78 in high-rent ZIP Codes. Therefore, on average, rental units in low-rent ratio ZIP Codes have a lower value of the overall opportunity index than 71 percent of all rental units in the metropolitan area, whereas rental units in the high-rent ratio ZIP Codes have an index value that is greater than 78 percent of all rental units in the metropolitan area.

Exhibit 4-9: Opportunity Measures by Rent Ratio

Overall Index



Component Indexes



Sources: HUD FY2015 Fair Market Rents; HUD FY2015 Small Area Fair Market Rents; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units); 2014 ACS 5-year estimates (poverty rate/percent nonpoor); School Proficiency Index, 2011–2012 (HUD Open Data); Job Proximity Index, 2010 (HUD Open Data); Environmental Health Hazard Index, 2005 (HUD Open Data)

Findings observed for the component indexes (plus crime rates, where data are available) are as follows.

- A higher rate of nonpoverty indicates higher opportunity, and the exhibit shows higher rates of nonpoor in high-rent ratio ZIP Codes.
- Higher rates of school proficiency indicate higher-quality schools, and the exhibit shows that high-rent ZIP Codes have higher school proficiency indexes.
- A higher job proximity index indicates better access to jobs. The exhibit shows slightly higher measures of job access in high-rent ZIP Codes.
- A higher environmental quality index indicates better quality, and the exhibit shows higher index values for high-rent ZIP Codes.

Although we observe differences across rent ratio categories for all the component indexes, percent nonpoor and school proficiency vary the most across categories, followed by environmental quality. Job proximity has less variation, reflecting the fact that commuting distance is less positively correlated with rents.

All indexes are normalized to be percentiles of the index value divided by all rental units in the metropolitan area. Therefore, an index value that is 10 points higher than another indicates an additional 10 percent of all units in the metropolitan area that have a lower value of the underlying opportunity measure. This normalization improves comparability of average across metropolitan areas and enables the component measures to be combined into the overall opportunity index on a common scale.

HCV Holders' Potential Access to ZIP Codes Across Measures of Opportunity, All PHAs

The previous exhibits show that, as expected, high-rent ratio ZIP Codes tend to have higher measures of neighborhood opportunity than do low-rent ratio ZIP Codes. We now turn to the *potential* for SAFMRs to change HCV holders' access to opportunity measures. To do so, we mirror the approach used for rent ratios above—measuring the share of units with rents below SAFMRs and metropolitan area FMRs across three categories of ZIP Codes. Now, we categorize ZIP Codes based on relative values of the opportunity index within the respective metropolitan area. This categorization provides a measure of the relative access to opportunity provided by living in a housing unit in the ZIP Code versus other ZIP Codes in the metropolitan area.

For each individual opportunity index and for the composite index as a whole, we created three categories of ZIP Codes based on the index score.

- **Low Opportunity.** ZIP Codes with index values below 25 (containing the 25 percent of units in the metropolitan area with the lowest values of the index).
- **Moderate Opportunity.** ZIP Codes with index values in the 25–75 range (containing the 50 percent of all units with index values that are both below at least 25 percent of the units with the highest index values and above the 25 percent of all units in the metropolitan area with the lowest index values).
- **High Opportunity.** ZIP Codes with index values greater than 75 (containing the 25 percent of the units in the metropolitan area with the highest index values).

The following exhibits report the share of units renting below SAFMR and metropolitan area Fair Market Rent in each of these three categories to examine the hypothesis that SAFMR will increase the potential for housing choice voucher holders to access higher-opportunity neighborhoods. We note that the set of ZIP Codes in each category can be different from one index to the next. To provide context for the estimates presented in the following exhibits, we first describe the analysis sample for the overall opportunity index (Exhibit 4-10). Because the numbers of ZIP Codes and units they contain in each category are similar across the different opportunity indexes, we report this detail for the overall opportunity index only.

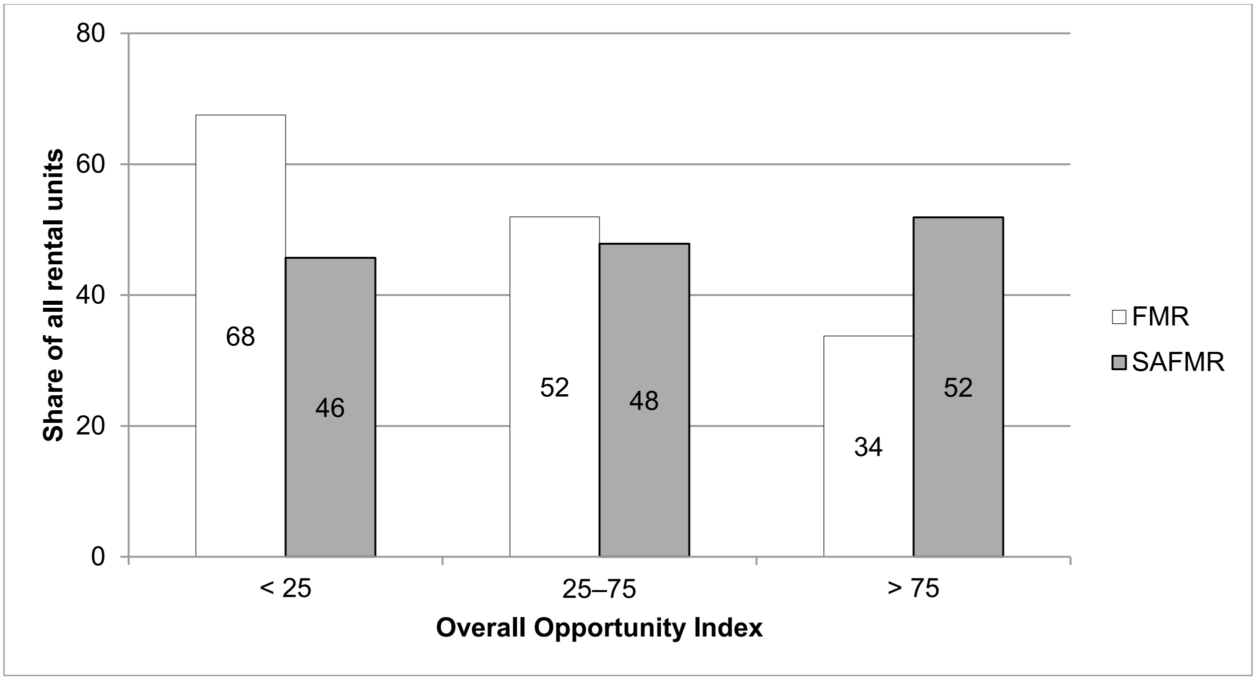
Exhibit 4-10: Analysis Sample for Determining Share of Units With Rents Below SAFMR and Metropolitan Area FMR by Overall Index Category

			Overall Index Category		
		n	**< 25**	**25–75**	**> 75**
All SAFMR PHAs	Units	1,290,864	303,588	607,183	380,092
	ZIP Codes	411	45	177	189
Laredo	Units	25,544	8,598	13,212	3,734
	ZIP Codes	5	2	2	1
Mamaroneck	Units	143,226	0	67,404	75,821
	ZIP Codes	67	0	12	55
Chattanooga	Units	53,390	18,592	16,479	18,319
	ZIP Codes	30	7	14	9
Cook County	Units	291,302	28,353	138,119	124,829
	ZIP Codes	127	5	59	63
Long Beach	Units	107,946	60,531	34,030	13,385
	ZIP Codes	13	5	6	2
Dallas	Units	668,981	187,514	337,940	143,528
	ZIP Codes	168	26	84	58
Plano	Units	236,040	33,474	120,048	82,518
	ZIP Codes	52	2	23	27

FMR = Fair Market Rent. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Sources: HUD FY2015 FMRs; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units); 2014 ACS 5-year estimates (poverty rate/percent nonpoor); School Proficiency Index, 2011–2012 (HUD Open Data); Job Proximity Index, 2010 (HUD Open Data); Environmental Health Hazard Index, 2005 (HUD Open Data)

Exhibit 4-11 shows the findings for the composite overall opportunity index. The exhibit shows that slightly more than two-thirds (68 percent) of units in the ZIP Codes in the lowest quartile of opportunity neighborhoods had rents below the metropolitan area FMR. In contrast, less than one-half (46 percent) of units in these ZIP Codes had rents below the SAFMR. At the higher end of the opportunity scale, slightly more than one-half (52 percent) of units had rents below the SAFMR, compared with about one-third (34 percent) that had rents below the metropolitan area FMR.

Exhibit 4-11: Access to Neighborhood Opportunity—Share of Units Below Applicable FMR by Composite Overall Opportunity Index Categories



FMR = Fair Market Rent. SAFMR = Small Area Fair Market Rent.
Note: All ZIP Codes in public housing agency service areas where SAFMRs are implemented.
Sources: HUD FY2015 FMRs; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units)

This finding shows that Small Area Fair Market Rents are doing what they are intended to do. A larger share of units are potentially available to HCV holders in high-opportunity areas under SAFMRs compared with metropolitan area FMRs, and fewer units are potentially available to HCV holders in low-opportunity areas.

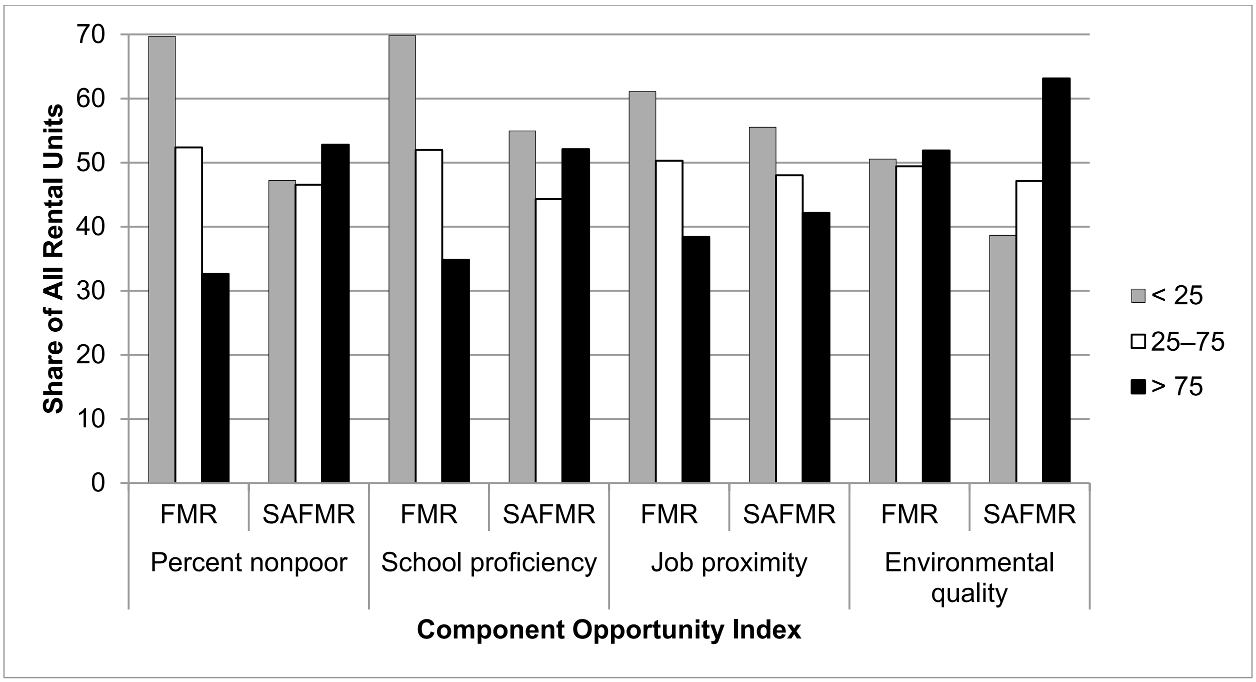
Exhibit 4-12 presents the distribution of units for each of the opportunity indexes separately, which shows the same pattern. For each individual index, more units are potentially available to HCV holders in high-opportunity areas under SAFMRs compared with metropolitan area FMRs, and fewer units are available in low-opportunity areas.

- Seventy percent of units in ZIP Codes in which the percent of nonpoor households is low (that is, with the highest concentration of poverty) had rents below the metropolitan area FMR, compared with 33 percent of units in ZIP Codes where the percent of nonpoor households is high (that is, with the lowest concentration of poverty). In contrast, fewer than one-half of units in ZIP Codes in which the percent of nonpoor households is low had rents below the SAFMR, although more than one-half of units in ZIP Codes where the percent of nonpoor households is low had rents below the SAFMR. In other words, many more units in low-poverty areas could potentially be affordable to HCV holders under SAFMRs compared with metropolitan area FMRs.
- Similarly, 70 percent of units in ZIP Codes with low school proficiency had rents below the metropolitan area FMR, but only nearly 35 percent of units in ZIP Codes with high

school proficiency had rents below the metropolitan area FMR. In contrast, slightly more than one-half of units in both low- and high-proficiency school ZIP Codes had rents below the SAFMR. This difference means that access to ZIP Codes with more proficient schools is greater under SAFMRs compared with metropolitan area FMRs.

- A similar, but smaller, difference can be seen for environmental quality. Nearly one-half of all units in each environmental quality area have rents below the metropolitan area FMR. In contrast, about 40 percent of units in low-quality ZIP Codes have rents below the SAFMR, compared with more than 60 percent of units in higher environmental quality ZIP Codes.
- Improvements in job proximity are less pronounced than for other measures.

Exhibit 4-12: Access to Neighborhood Opportunity, Share of Units Below Applicable FMR by Component Opportunity Indexes

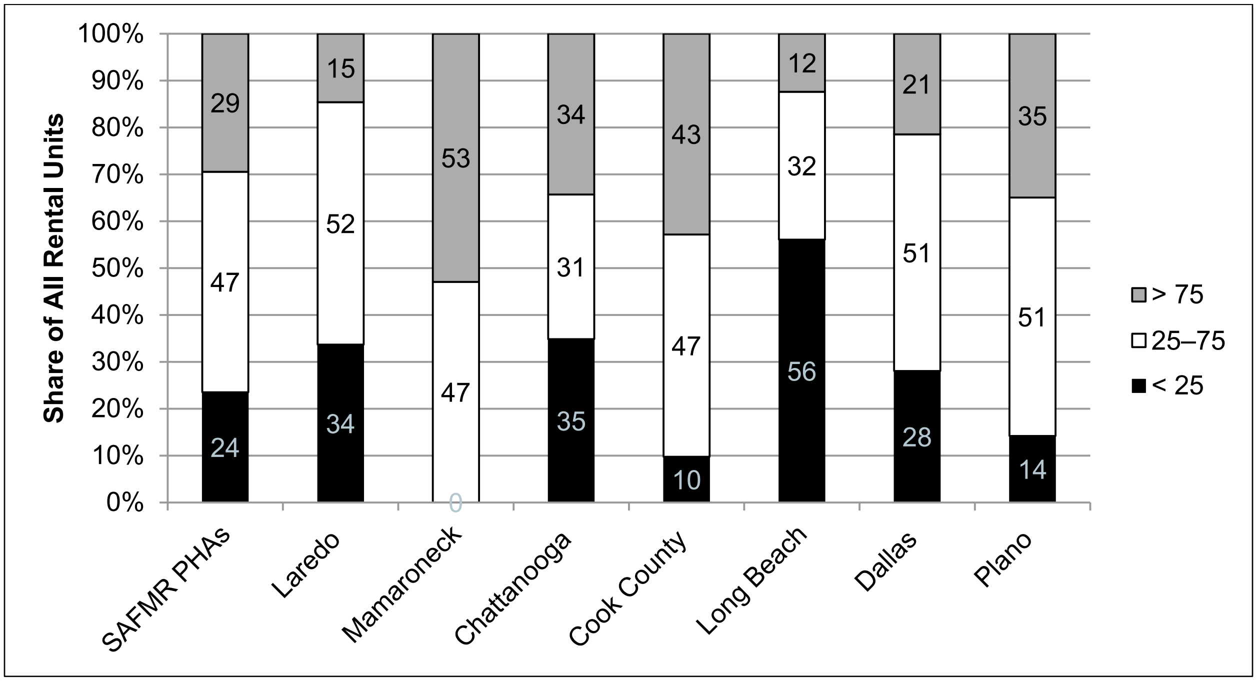


FMR = Fair Market Rent. SAFMR = Small Area Fair Market Rent.
Note: All ZIP Codes in public housing agency service areas where SAFMRs are implemented.
Sources: HUD FY2015 FMRs; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units); 2014 ACS 5-year estimates (poverty rate/percent nonpoor); School Proficiency Index, 2011–2012 (HUD Open Data); Job Proximity Index, 2010 (HUD Open Data); Environmental Health Hazard Index, 2005 (HUD Open Data)

The prior exhibits indicate that a larger share of the units in high-opportunity neighborhoods is affordable to HCV holders under SAFMRs compared with under metropolitan area FMRs. However, we showed in the SAFMRs Reduce the Overall Number of Units With Rents Below the FMR section that SAFMRs tend to reduce the overall number of units with rents below the FMR. Therefore, although more of the units in ZIP Codes with higher opportunity measures may be available, we must also consider the distribution of rental units across opportunity categories.

To do so, Exhibit 4-13 summarizes the share of all rental units that fall in each overall opportunity index category for SAFMR public housing agencies as a group and individually. As reflected in the exhibit, units in high-opportunity ZIP Codes are not equally available across the PHAs. For example, in Mamaroneck, no ZIP Codes, and therefore no rental units, are in the lowest-opportunity category. HCV holders cannot use vouchers from Mamaroneck in a ZIP Code that is in the metropolitan area's bottom quartile (based on our overall opportunity index) without porting vouchers to another PHA jurisdiction. Correspondingly, nearly 53 percent of units are in ZIP Codes in the highest opportunity index category.

Exhibit 4-13: Share of All Rental Units Across Overall Opportunity Index Categories, by PHA



PHA = public housing agency.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 Small Area Fair Market Rents; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units); overall opportunity index

At the other extreme, the shares in Long Beach almost perfectly reverse those in Mamaroneck: 56 percent of all rental units are in the lowest opportunity index category, and only 12 percent are in the top quartile of the overall opportunity index. Cook County follows Mamaroneck as among PHAs with the lowest number of rental units in the lowest overall opportunity index neighborhoods. Only 10 percent of all Cook County rental units are in ZIP Codes in this category, and 43 percent are in the highest opportunity index ZIP Codes.

The exhibit highlights some limits to the impacts that SAFMR can have on HCV holders' location in high-opportunity neighborhoods. In Long Beach, a small portion of rental units—whether below FMR or not—are in high-opportunity neighborhoods (in the Los Angeles metropolitan area). Therefore, far less potential exists for SAFMRs to improve access to these neighborhoods than in Cook County, Mamaroneck, or even Chattanooga. Regardless, as shown in Exhibit 4-13, SAFMRs do improve HCV holders' access to high opportunity index ZIP Codes in every PHA jurisdiction. The exhibit compares the shares of units in each overall composite index category for each of the SAFMR sites.

Exhibit 4-14 shows the same pattern as previous exhibits. Across the SAFMR sites, SAFMRs reduce access to low-opportunity ZIP Codes and increase access to high-opportunity ZIP Codes. The differences in access to opportunity between FMRs and SAFMRs are much larger in some PHAs than in others, however. In Chattanooga and Laredo, shifting from the FMR to the SAFMR leads to only a modest reduction in the share of units in ZIP Codes in low-opportunity areas renting below the applicable FMR—about 6 to 9 percentage points. The differences in Dallas, Long Beach, and Plano, in contrast, are quite large. SAFMRs appear to have a much larger impact in those places than in the other PHAs. Again in Mamaroneck, no ZIP Codes have an overall opportunity index in the bottom quartile.

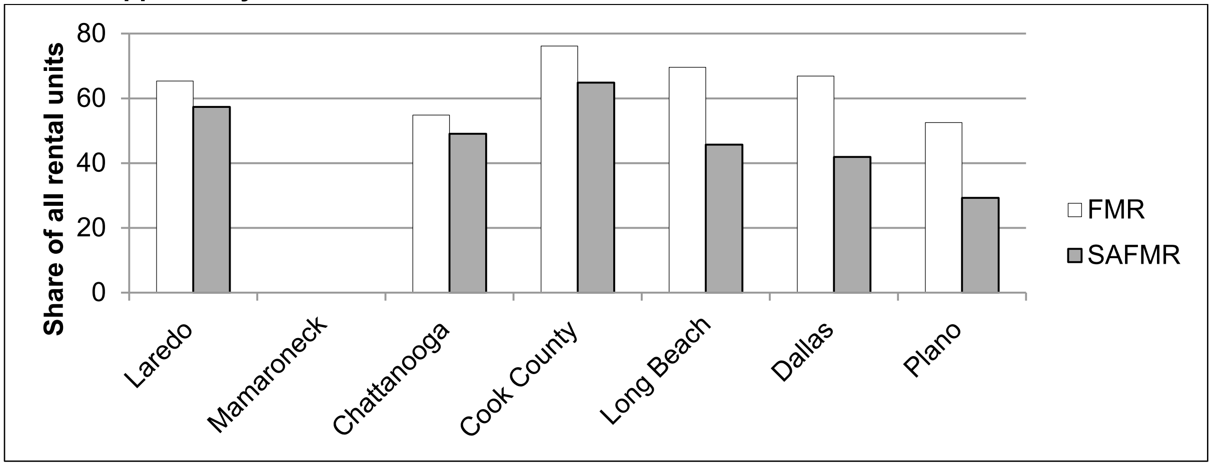
In the middle, one-half of the overall opportunity index category, the differences are smaller. In general, the share of units in ZIP Codes with median rents below the SAFMR is smaller than the share below the FMR in this index level. However, in Long Beach, the share of units is slightly larger under SAFMRs than under FMRs.

The largest differences are generally in the top quartile of the opportunity index, which is in the bottom panel of Exhibit 4-14. In Laredo, the share of units renting below the SAFMR in ZIP Codes in the top quartile of the overall opportunity index is more than triple the share renting below FMRs, from 14 percent of units to more than one-half (53 percent). Note, however, that because this analysis is conducted at the ZIP Code level, and Laredo has only five ZIP Codes, it is mathematically prone to very large swings.

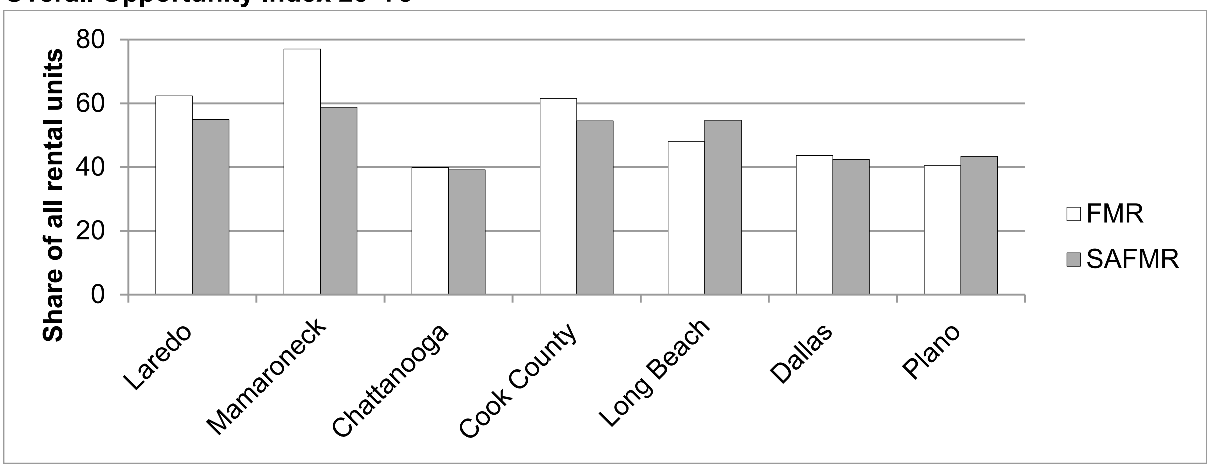
Likewise, in Plano and Dallas, potentially accessible units in the highest opportunity quartile are more than double under SAFMRs, and they are nearly double in Long Beach (although few rental units are in such ZIP Codes in Long Beach).

Exhibit 4-14: Share of Units Below FMR and SAFMR in ZIP Codes by Overall Opportunity Index

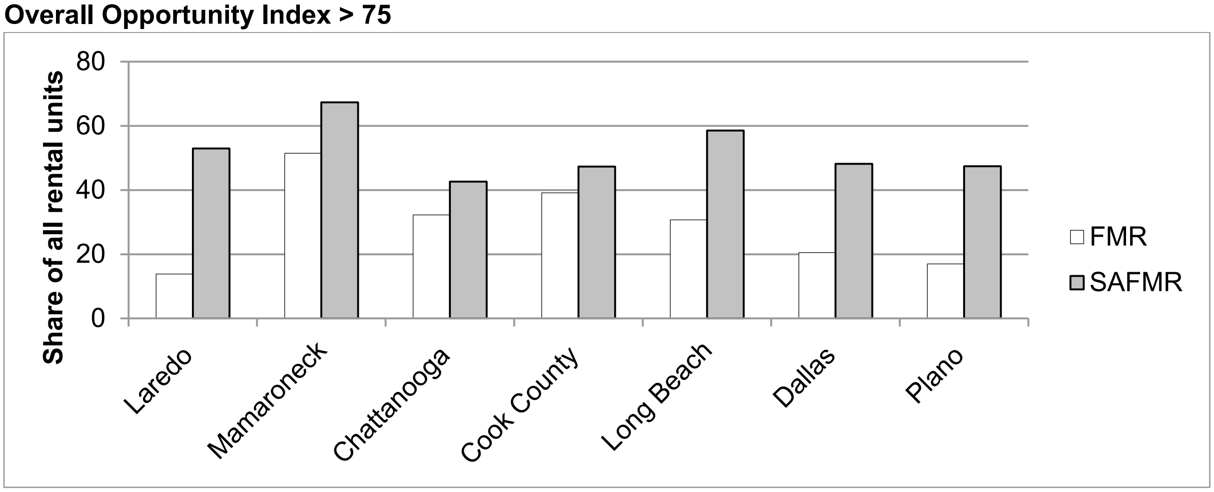
Overall Opportunity Index < 25



Overall Opportunity Index 25–75



Overall Opportunity Index > 75



FMR = Fair Market Rent. SAFMR = Small Area Fair Market Rent.

Note: All ZIP Codes in public housing agency service areas where SAFMRs are implemented.

Sources: HUD FY2015 FMRs; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units)

5. Early Impacts of Small Area Fair Market Rents on Housing Choice Voucher Holders

In contrast to the prior chapter, which focused on the potential impact of SAFMRs on HCV holders' ability to access areas of opportunity, this chapter focuses on the *actual* effects. In brief, we found—

- Based on the early evidence, it appears that following the implementation of SAFMRs, HCV holders in the SAFMR PHAs are slightly more likely to live in higher-opportunity ZIP Codes than before implementation of SAFMRs. The improved access to higher-opportunity ZIP Codes in SAFMR PHAs is especially evident when looking at existing HCV holders moving to new ZIP Codes and the locations of new HCV holders. These changes were not observed in the comparison PHAs.
- Households moving to a different ZIP Code are more likely to locate in neighborhoods that have a lower share of minorities and a higher share of household heads with a college degree after the introduction of SAFMRs. These changes were not observed in the comparison PHAs.

Although SAFMRs are hypothesized to improve HCV holders' access to units in high-opportunity areas, their actual experience could be influenced by a number of factors. These factors include the PHAs' ability to execute the demonstration, landlords' response to the changes in payment standards, and voucher holders' current circumstances. Moving to a high-opportunity area may or may not be possible given an HCV holder's situation at the time. Although affordability is a primary concern, tenant behavior is often driven by other social, emotional, or logistical factors, including hesitation to switch their children's schools (DeLuca and Rosenblatt, 2010), fear of the unknown (for example, not knowing the area or fearing rejection) (Charles, 2006), or lack of information about the benefits of opportunity neighborhoods (Darrah and DeLuca, 2014).

Even for HCV holders who are eager to move, issues such as the cost of moving (including security deposits and first and last month's rent) can be a significant barrier. Many low-income families also understand the bang-for-the-buck trade-off they face when searching for housing. They can find cheaper units with more amenities in higher-poverty areas, which may accommodate their families' needs for space and amenities (Wood, 2014; Rosenblatt and DeLuca, 2012).

Participant Locations in SAFMR PHAs by Rent Ratio

We now turn to where voucher holders *actually* live following the implementation of SAFMRs. Throughout this section, we compare HCV holder location outcomes in 2010, before SAFMRs went into effect, with outcomes in 2015, after SAFMR-based payment standards were in effect for all HCV holders. We first look at where HCV holders live in terms of ZIP Code rent ratios, before turning to an analysis of where HCV holders live relative to opportunity measures.

Other factors that could influence HCV holders' location outcomes—notably a recovering economy and housing market—were changing over this period. Therefore, we also make comparisons over the same time period versus the average location outcomes of a large group of PHAs where SAFMRs were not in effect (the comparison group PHAs). This comparison provides a baseline scenario for what otherwise could have been expected in the SAFMR PHAs. Further, we note that we use static measures of neighborhood characteristics, typically for a period coinciding with the beginning of the SAFMR demonstration. For example, measures (including the rent ratio), based on ACS data, use the 2008–2012 year ACS vintage. See chapter 3 for more details on how we measure neighborhood characteristics.[27]

The comparisons in this section are calculated using the ZIP Codes where HCV holders live as recorded in the last quarter of administrative data in which they are observed in the respective year. Exhibit 5-1 reports the sample size for the analyses that follow. Our analysis is of the households in SAFMR PHAs (44,084 in 2010 and 48,453 in 2015) and the relatively large number of households we observe in the 138 comparison PHAs (Not SAFMR PHAs), over 550,000 in each year.

Exhibit 5-1: Number of HCV Holder Households in Analysis Sample by ZIP Code Rent Ratio

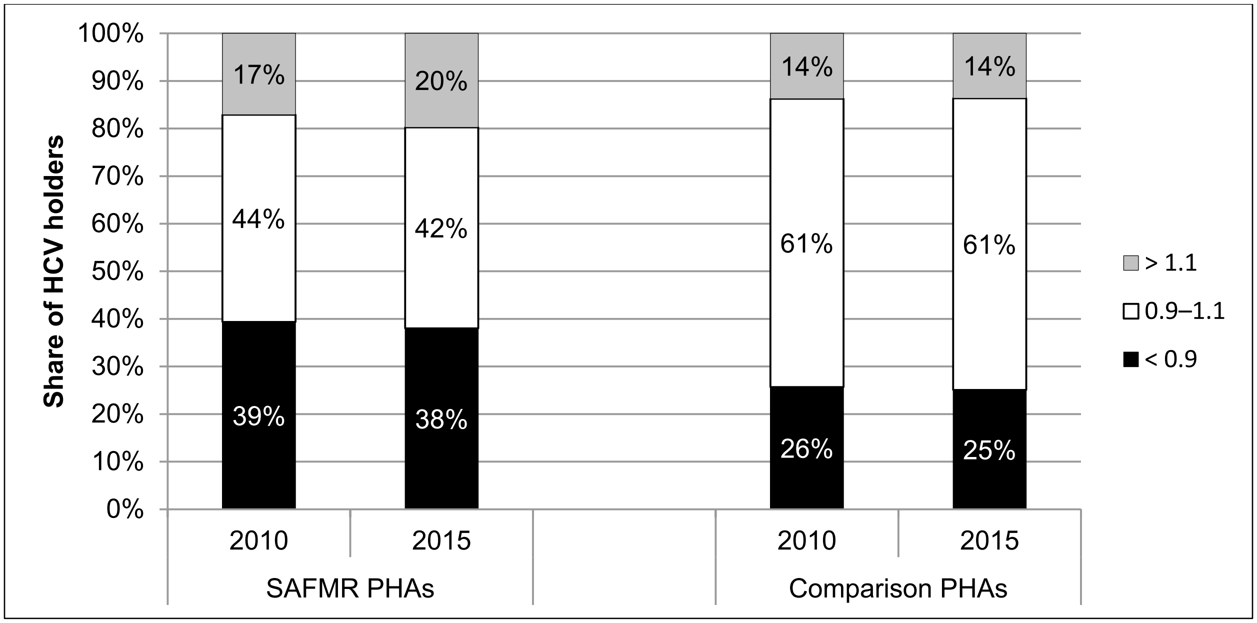
HCV Holder Households by Rent Category	Rent Ratio Category						Total	
	< 0.9		0.9–1.1		> 1.1			
	2010	2015	2010	2015	2010	2015	2010	2015
SAFMR PHAs	17,354	18,425	19,186	20,457	7,544	9,571	44,084	48,453
Laredo	514	315	980	1,084	56	193	1,550	1,592
Mamaroneck	90	83	131	117	387	340	608	540
Chattanooga	945	1,232	2,081	2,524	207	308	3,233	4,064
Cook County	4,051	4,903	5,866	6,175	2,758	3,285	12,675	14,363
Long Beach	5,487	5,709	1,264	1,321	57	74	6,808	7,104
Dallas	6,198	6,099	8,156	8,730	3,514	4,798	17,868	19,627
Plano	69	84	708	506	565	573	1,342	1,163
Comparison PHAs (138)	144,295	138,452	340,106	338,726	77,290	75,378	561,691	552,556

HCV = housing choice voucher. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 SAFMRs (rent ratio calculation); HUD Public and Indian Housing Information Center administrative data extract (counts)

Exhibit 5-2 shows where HCV holders live in terms of the rent ratios of their units' ZIP Codes in 2010 and 2015 for the seven SAFMR PHAs and the comparison set of Not SAFMR PHAs. The exhibit provides indications that SAFMRs may have changed where some HCV holders reside. Across all SAFMR PHAs, 17 percent of HCV households lived in high-rent ratio ZIP Codes in 2010 prior to the implementation of SAFMRs. This percentage increased to 20 percent in 2015. HCV holders moved to these high-rent ratio ZIP Codes from both the moderate-rent ratio ZIP Codes, which decreased their share by 2 percentage points, and the low-rent ratio ZIP Codes decreased by one percentage point. In contrast, in the comparison PHAs, the percentage living in high-rent ratio ZIP Codes stayed constant at 14 percent.

[27] It is possible that changes in HCV payment standard will ultimately indirectly influence neighborhood characteristics, including some opportunity measures. However, it is unlikely that these changes will be evident for multiple years, and examining such changes is beyond the scope of this study.

Exhibit 5-2: Rent Ratios of ZIP Codes Where HCV Holders Live Before and After SAFMRs



HCV = housing choice voucher. SAFMR = Small Area Fair Market Rent.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 SAFMRs (rent ratio calculation); HUD Public and Indian Housing Information Center administrative data extract (counts)

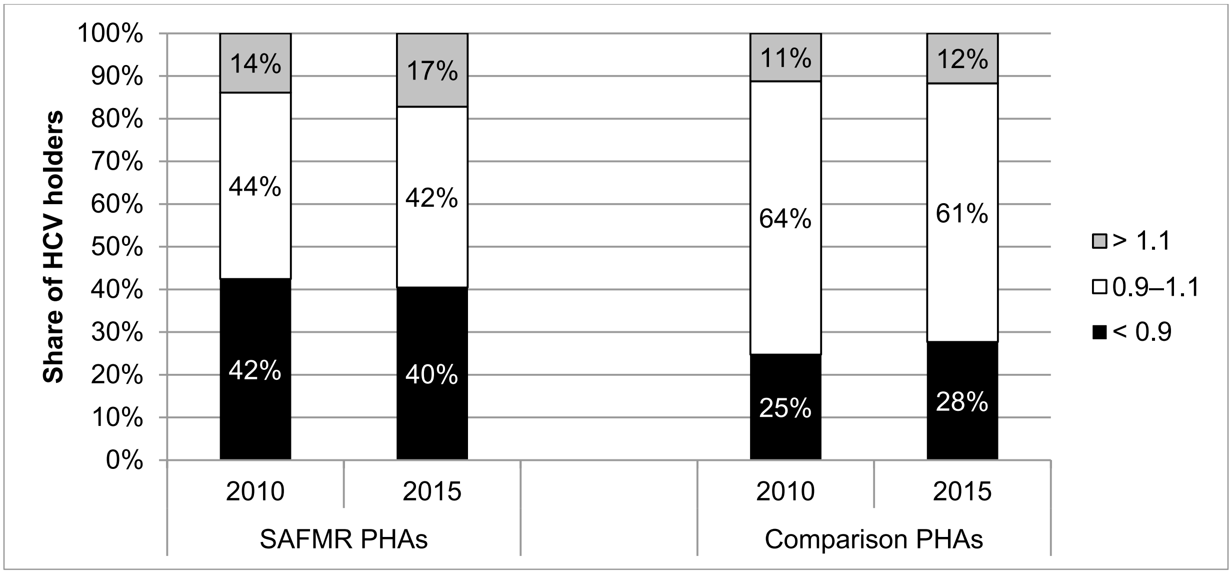
Overall, a larger share of HCV holders in the SAFMR PHAs live in ZIP Codes with rent ratios below 0.9 (about 39 percent) than in the comparison PHAs (26 percent). In other words, the SAFMR PHAs tend to have lower rents relative to their metropolitan areas compared with other PHAs in the selection universe. This difference may be part of the motivation for joining the demonstration. It also may be due to the fact that because Dallas was not part of the demonstration per se, it was not part of a selection cluster, and thus, none of the PHAs in the comparison group necessarily resemble Dallas. Therefore, it is more instructive to look at the change in the percent of households in each rent ratio prior to and after the implementation of the demonstration. Although the changes in the number of HCV holders living in moderate and low rent ratio ZIP Codes in SAFMR PHAs represent a relatively small share of HCV holders living in these neighborhoods, the 3 percentage point change in the share living in higher-rent ratio neighborhoods is large considering the initial starting share.

Exhibit 5-3 shows how the ZIP Code rent ratio location changes over time for households that first use HCVs (new HCV holders) and for existing HCV holders that move from one ZIP Code to another. Because it can take multiple years for a household to contemplate and follow through with a move, it is helpful to separately analyze the subgroups that are new or actually move. We focus specifically on movers to new ZIP Codes in order to examine the potential of SAFMRs to facilitate moves to higher opportunity areas.

To increase the number of new and moving HCV holders in our sample, we observe new voucher use and moves over a 2-year window. We count households that were new or moved in 2009 or 2010 in the 2010 bars, and households that were new or that moved in 2014 and 2015 in the 2015 bars. Exhibit 5-3 shows the rent ratio of the ZIP Code in which the new household first uses a voucher and the new (destination) ZIP Code for the moving household.

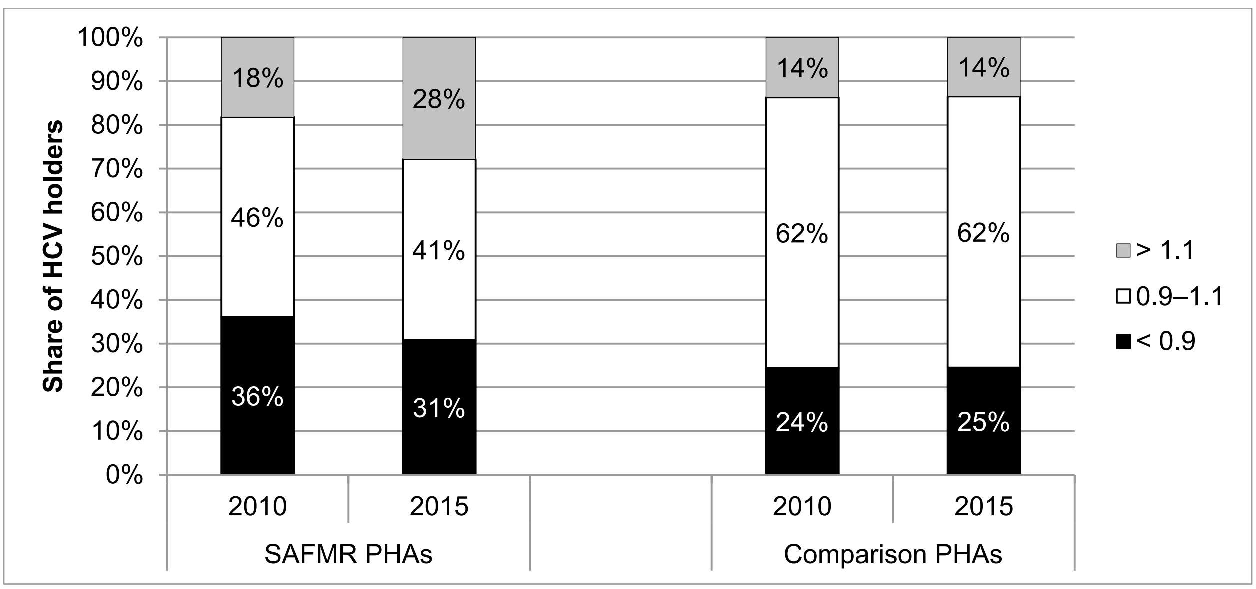
Exhibit 5-3: Rent Ratios of ZIP Codes Where New HCV Holders and Recent ZIP Code Movers Live Before and After SAFMRs

New HCV Holders



Notes: There were 2,541 new HCV holders in 2010 and 5,332 in 2015 in SAFMR PHAs. There were 71,739 new HCV holders in 2010 and 64,160 in 2015 in Not SAFMR PHAs.

Movers to New ZIP Codes



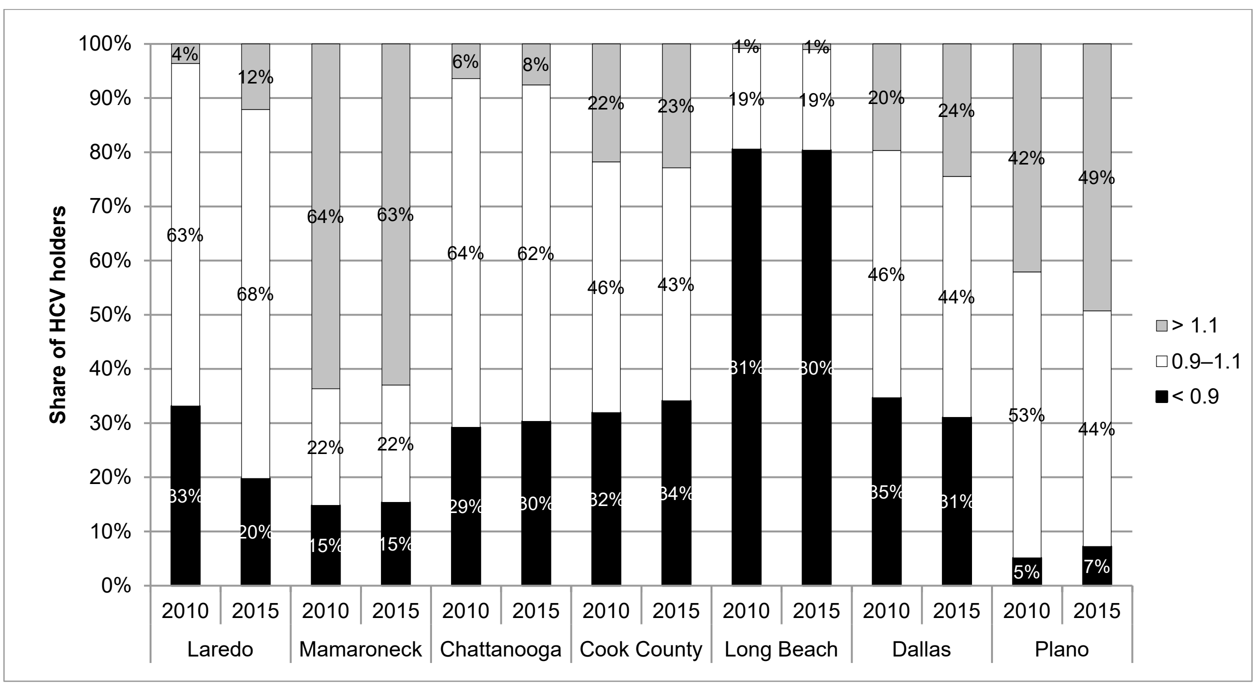
HCV = housing choice voucher. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Notes: There were 8,704 mover households in 2010 and 7,649 in 2015 in the SAFMR PHAs. There were 119,474 in 2010 and 95,246 in 2015 in Not SAFMR PHAs.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 SAFMRs (rent ratio calculation); HUD Public and Indian Housing Information Center administrative data extract (counts)

The same general pattern observed for all HCV holders holds for new HCV holders and is even starker for those who move to new ZIP Codes. At the comparison PHAs the share of new HCV holders and movers to new ZIP Codes who live in high-rent ratio ZIP Codes remained constant at about 11 and 14 percent, respectively. In the SAFMR PHAs, the share of new households that rented units in high-rent ratio ZIP Codes rose from 14 percent in 2010 to 17 percent in 2015. The change for ZIP Code mover households was even greater, rising from 18 percent in 2010 to 28 percent in 2015. In other words, in 2015, more than a one-fourth of voucher households in the SAFMR PHAs that moved to a new ZIP Code moved into high-rent ratio ZIP Codes. For new HCV holders, the increased share in higher-rent ratio ZIP Codes relative to 2010 is drawn from both moderate- and lower-rent ratio ZIP Codes by between 1 and 2 percentage points each. Still, 40 percent of new voucher holders initially use vouchers in neighborhoods with median rents below 90 percent of the metropolitan area median in 2015. For existing HCV holders that move to new ZIP Codes, the 10 percentage point increase in 2015 relative to 2010 in the share of recent movers that locate in high-rent ratio neighborhoods represents a 5 percentage point reduction in both moderate- and lower-rent ratio neighborhoods.

Exhibit 5-4 presents the share of HCV holders living in ZIP Codes within each rent ratio category by site for all HCV holders. The exhibit shows that overall increases in the percentages of voucher households in high-rent ratio ZIP Codes were concentrated in three sites—Dallas, Laredo, and Plano. In Laredo, the share increased from 4 to 12 percent, in Dallas, from 20 to 24 percent, and in Plano, from 42 to 49 percent.

Exhibit 5-5 breaks out HCV holders into new and existing holders that move to a new ZIP Code. The share of new households that rented in high-rent ratio ZIP Codes increased in Chattanooga, Cook County, Dallas, and Laredo, and all sites except Mamaroneck experienced increases in the share of ZIP Code movers who moved to high-rent ratio ZIP Codes.

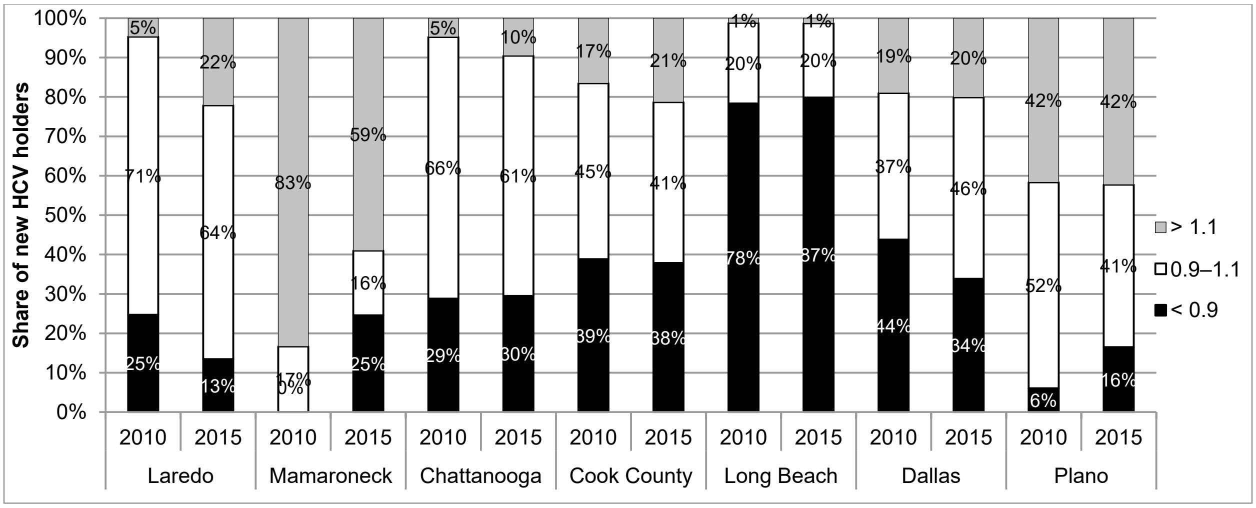
Exhibit 5-4: Share of HCV Holders by Rent Ratios in ZIP Codes Where They Live Before and After SAFMRs



HCV = housing choice voucher. SAFMR = Small Area Fair Market Rent.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 SAFMRs (rent ratio calculation); HUD Public and Indian Housing Information Center administrative data extract (counts)

Exhibit 5-5: Distribution of Rent Ratios by Site for All SAFMR Public Housing Agencies—New HCV Holders and ZIP Code Movers

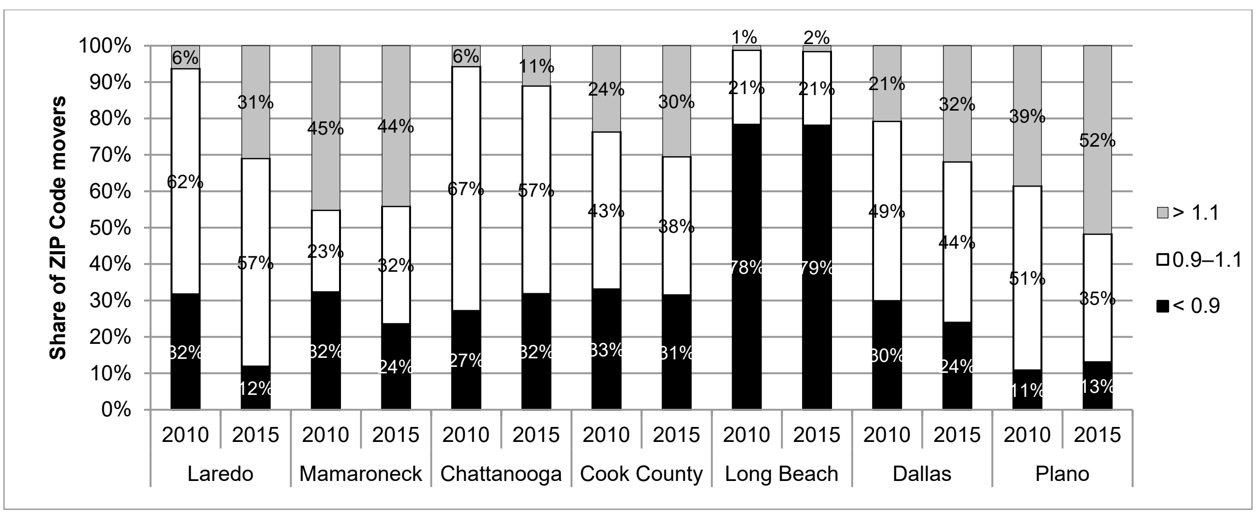
New HCV Holders



Note: The table reports the number of new households (in the 2 years ending in the year listed) in each site by year.

	Laredo	Mamaroneck	Chattanooga	Cook County	Long Beach	Dallas	Plano
2010	170	18	458	363	411	989	132
2015	253	61	722	1,223	774	2,202	97

ZIP Code Movers



Note: The table reports the number of ZIP Code movers in the 2 years ending in the year listed in each site by year.

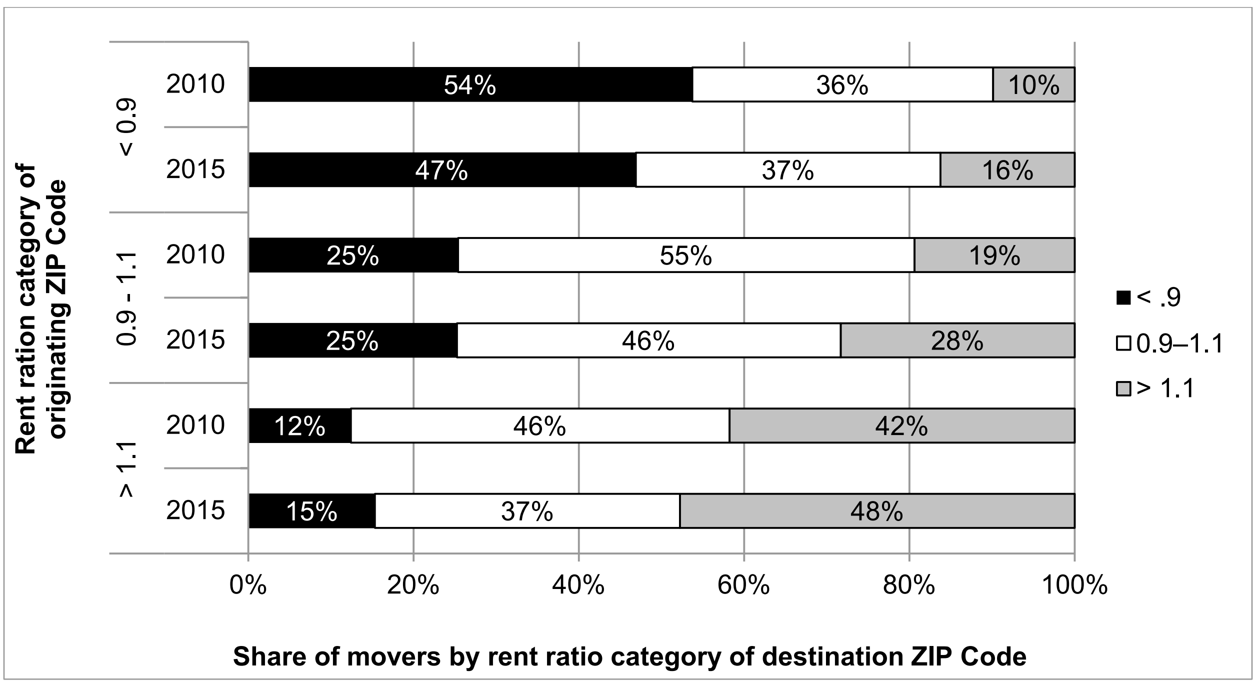
	Laredo	Mamaroneck	Chattanooga	Cook County	Long Beach	Dallas	Plano
2010	287	62	667	2,596	1,068	3,793	231
2015	194	34	563	2,386	631	3,665	176

HCV = housing choice voucher. SAFMR = Small Area Fair Market Rent.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 Small Area Fair Market Rents (rent ratio calculation); HUD Public and Indian Housing Information Center administrative data extract (shares)

One notable exception to these observations exists. In Mamaroneck, among new HCV holders, the share that rented in high-rent ratio ZIP Codes decreased from 83 percent to 59 percent following the implementation of SAFMRs. However, only 18 new voucher holders were in Mamaroneck in 2009 and 2010, so these numbers may reflect the idiosyncratic circumstances of a small number of households.

Exhibits 5-6 and 5-7 provide greater detail on the HCV holders who moved ZIP Codes. These exhibits break out the share of movers who moved to ZIP Codes in each rent ratio category based on the rent ratio category of the HCV holder's originating ZIP Code. Exhibit 5-6 shows movers in SAFMR PHAs. As reflected in the exhibit, increases in the share of movers who relocate to ZIP Codes with rent ratios greater than 1.1 originated from HCV holders moving from all types of rent ratio neighborhoods. For example, the share of mover households that move from a ZIP Code with a rent ratio less than 0.9 into a different ZIP Code with a rent ratio less than 0.9 falls from 54 percent in 2010 to 47 percent in 2015, corresponding to a 6 percentage point increase in the share of households that move into ZIP Codes with a rent ratio greater than 1.1.

Exhibit 5-6: Rent Ratios in ZIP Code Movers' Destination ZIP Codes by Rent Ratio in Origination ZIP Code—SAFMR PHAs

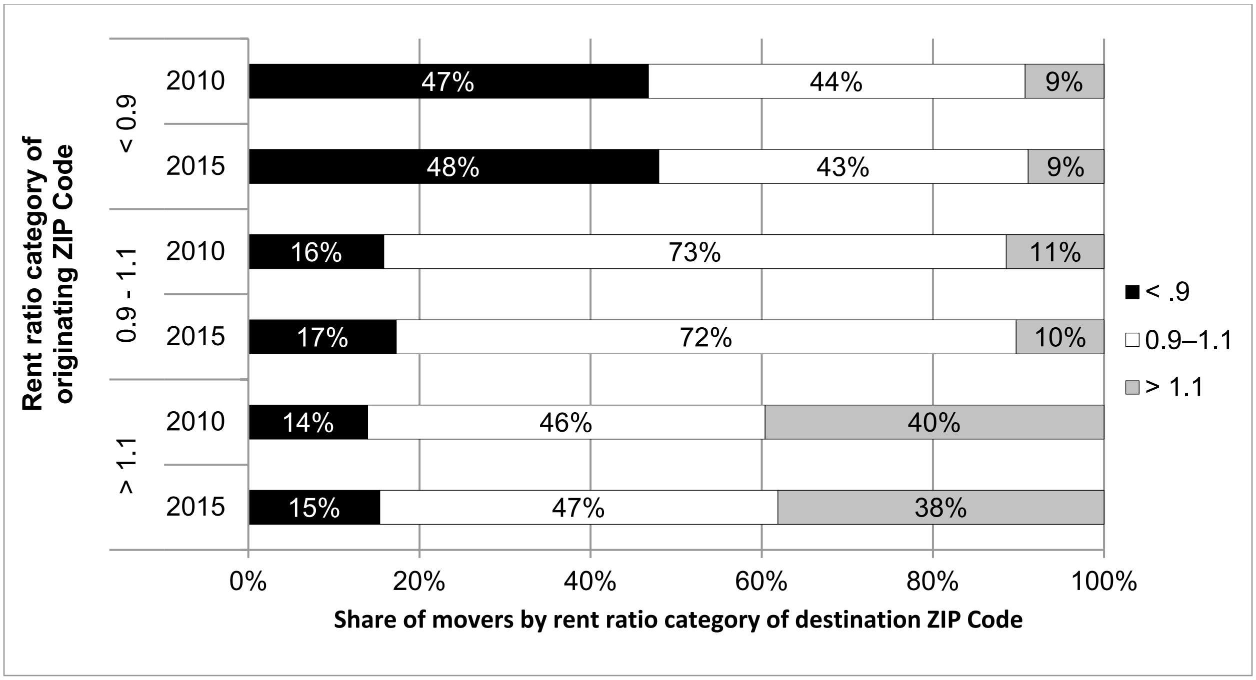


Notes: The following table reports the number of households (in the 2 years ending in the year listed) that moved from an originating ZIP Code in each rent ratio category. The number of households that moved but stayed in the same ZIP Code and the total number of households in the move analysis (including those that did not move) are included for context.

	Originating ZIP Code Type			Total	HCV Holders Moving Within Neighborhood (Not in Chart)	Total HCV Holders in Analysis (Including Nonmovers)
	< 0.9	0.9–1.1	> 1.1			
2010	2,459	2,754	1,008	6,221	2,729	40,636
2015	2,642	3,426	1,457	7,525	2,442	42,471

HCV = housing choice voucher.

Exhibit 5-7: Rent Ratios in ZIP Code Movers' Destination ZIP Codes by Rent Ratio in Origination ZIP Code—Comparison Public Housing Agencies



Notes: The following table reports the number of households (in the 2 years ending in the year listed) that moved from an origination ZIP Code in each rent ratio category. The number of households that moved but stayed in the same ZIP Code and the total number of households in the move analysis (including those that did not move) are included for context.

	Originating ZIP Code Type			Total	HCV Holders Moving Within Neighborhood (Not in Chart)	Total HCV Holders in Analysis (Including Nonmovers)
	< 0.9	0.9–1.1	> 1.1			
2010	20,668	49,282	9,856	79,806	34,862	496,728
2015	22,815	58,524	12,098	93,437	30,662	503,139

HCV = housing choice voucher. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.

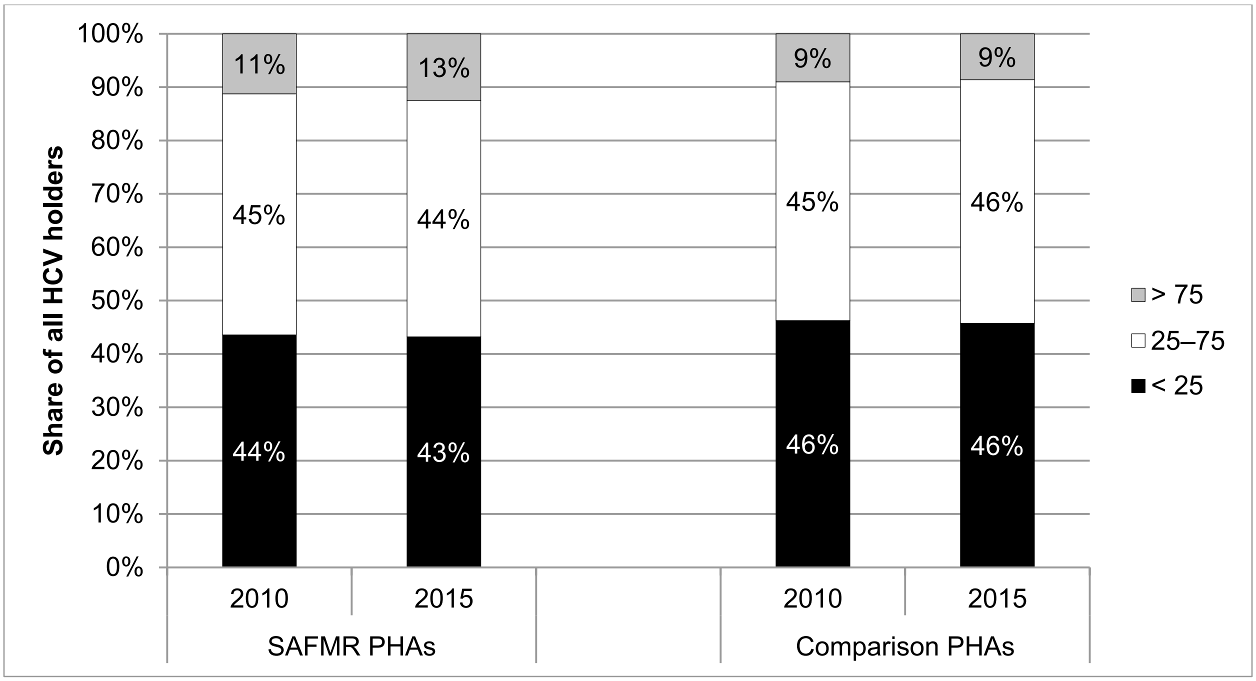
Exhibit 5-7 shows that these patterns of moves do not appear in the comparison PHAs. Rather, the share of moving households locating to ZIP Codes in particular rent ratio categories is consistent from 2010 to 2015 across all origination ZIP Code rent ratio categories. As shown on the table at the bottom of Exhibit 5-6, the share of movers who moved ZIP Codes increased from 70 percent in 2010 to 76 percent in 2015, although the share of all HCV holders who moved over a 2-year period stayed roughly the same at 22 percent in 2010 and 23.5 percent in 2015. However, as reflected in the table at the bottom of Exhibit 5-7, similar increases are seen in the comparison PHAs, suggesting the change observed in SAFMR PHAs may be due to factors besides the introduction of SAFMRs.

Opportunity Measures in ZIP Codes Where SAFMR Holders Reside

We next turn to a comparison of the opportunity measures of locations where voucher holders live before and after introduction of SAFMRs.

Exhibit 5-8 shows that the share of HCV holders living in higher-opportunity areas changed slightly following the implementation of SAFMRs. Prior to implementation of SAFMRs, 11 percent of voucher holders in SAFMR PHAs lived in ZIP Codes with the highest opportunity levels, whereas about 13 percent following implementation. As was the case with rent ratios, effectively no change occurred in the comparison PHAs.

Exhibit 5-8: Share of All HCV Holders by Opportunity Categories Before and After SAFMRs



HCV = housing choice voucher. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units); HUD Public and Indian Housing Information Center administrative data extract (counts); overall opportunity index

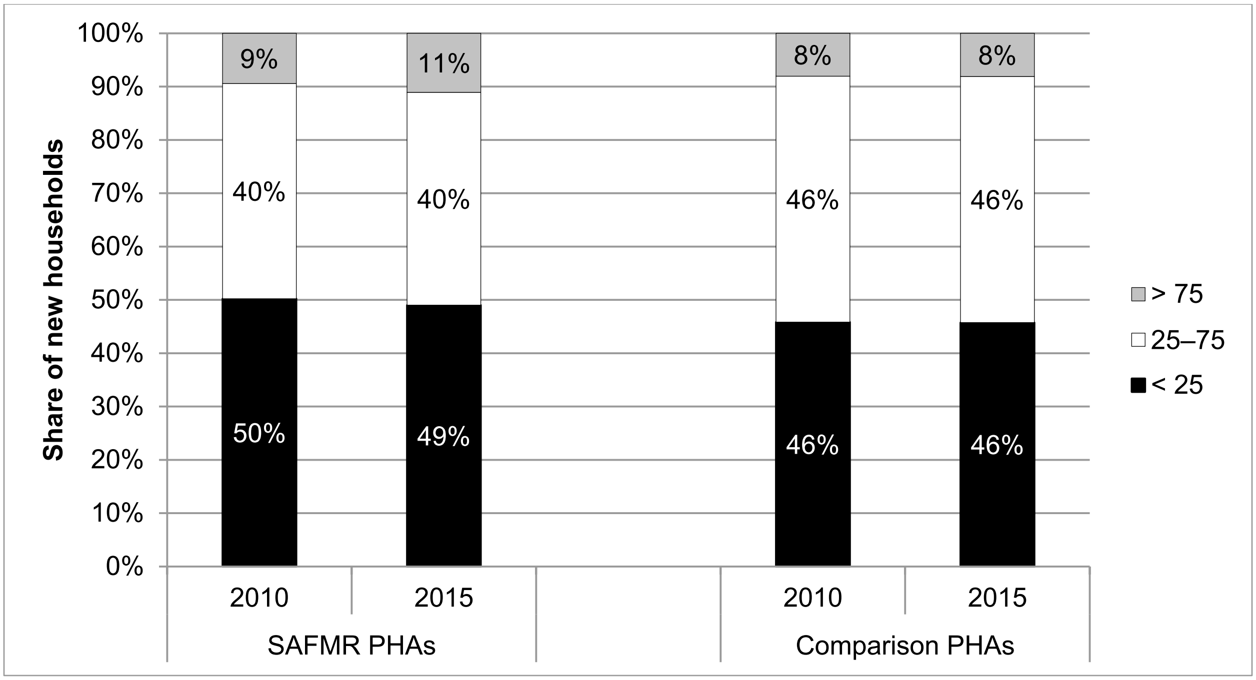
Exhibit 5-9 shows that similar patterns hold for new HCV holders (top panel) and for recent movers (bottom panel). Relative to all households, new households are in ZIP Codes with lower overall opportunity measures. As with all households, the share moving into ZIP Codes in the top quartile of the overall opportunity measure increased by only 2 percentage points between 2010 and 2015. As with all HCV holders, the share of new households in Not SAFMR PHAs in ZIP Codes in each overall opportunity category remains nearly the same in 2015 and 2010.

The bottom panel of Exhibit 5-9 shows that the share of recent movers to new ZIP Codes living in higher-opportunity neighborhoods increased by 6 percentage points, whereas the share living in the ZIP Codes with bottom quartile overall opportunity scores similarly declined.

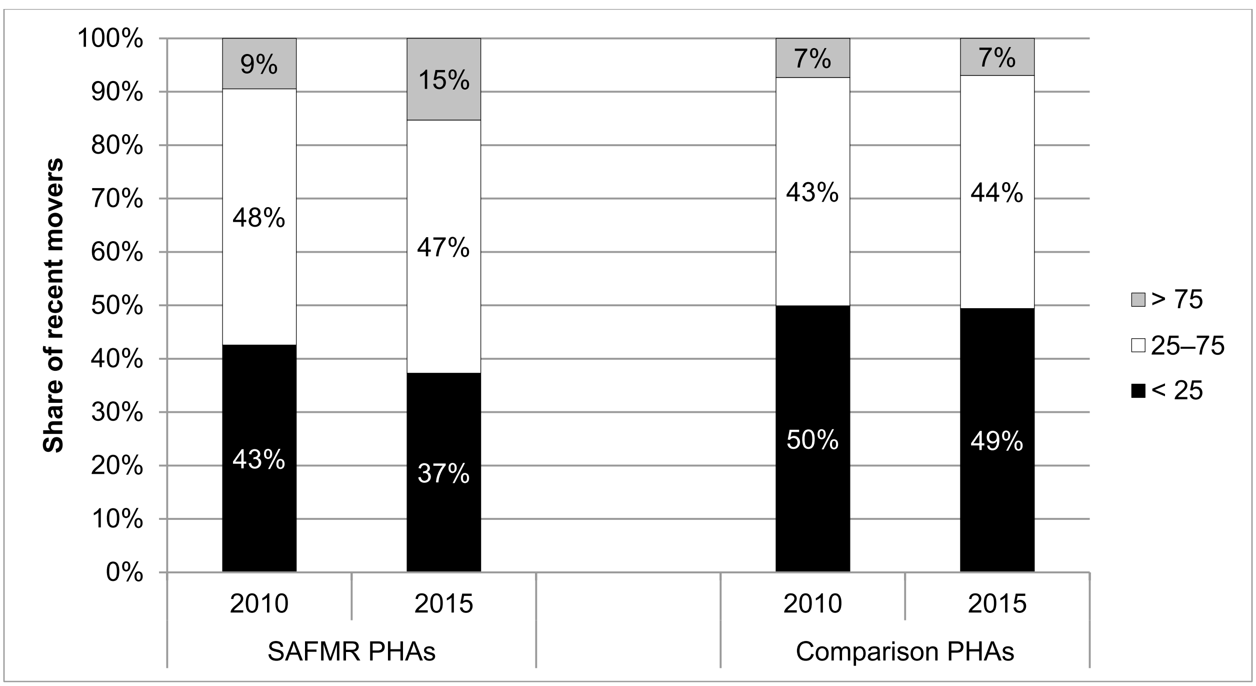
Exhibit 5-10 shows how the changes in the share of households living in each category of overall opportunity index ZIP Code varied across the SAFMR PHAs. The overall change in opportunity measures is driven nearly entirely by the same three PHAs as were the rent changes shown above—Dallas, Laredo, and Plano. The share of all HCV holders living in higher-opportunity ZIP Codes does not change much between 2010 and 2015 in the other four SAFMR PHAs.

Exhibit 5-9: Share of All Housing Choice Voucher Holders by Opportunity Categories Before and After SAFMRs—New Households and ZIP Code Movers

New Housing Choice Voucher Holders

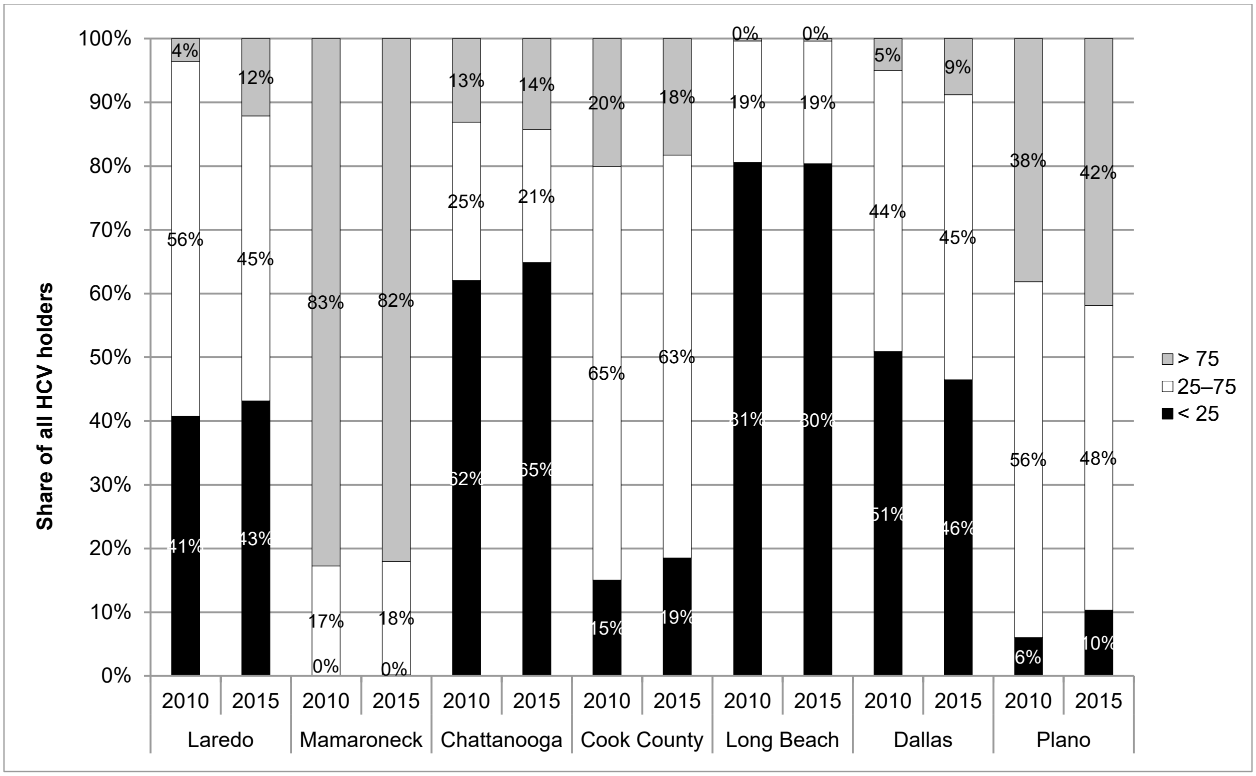


ZIP Code Movers



PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units); HUD Public and Indian Housing Information Center administrative data extract (counts); overall opportunity index

Exhibit 5-10 Distribution of Opportunity Index for All HCV Holders—by SAFMR PHA

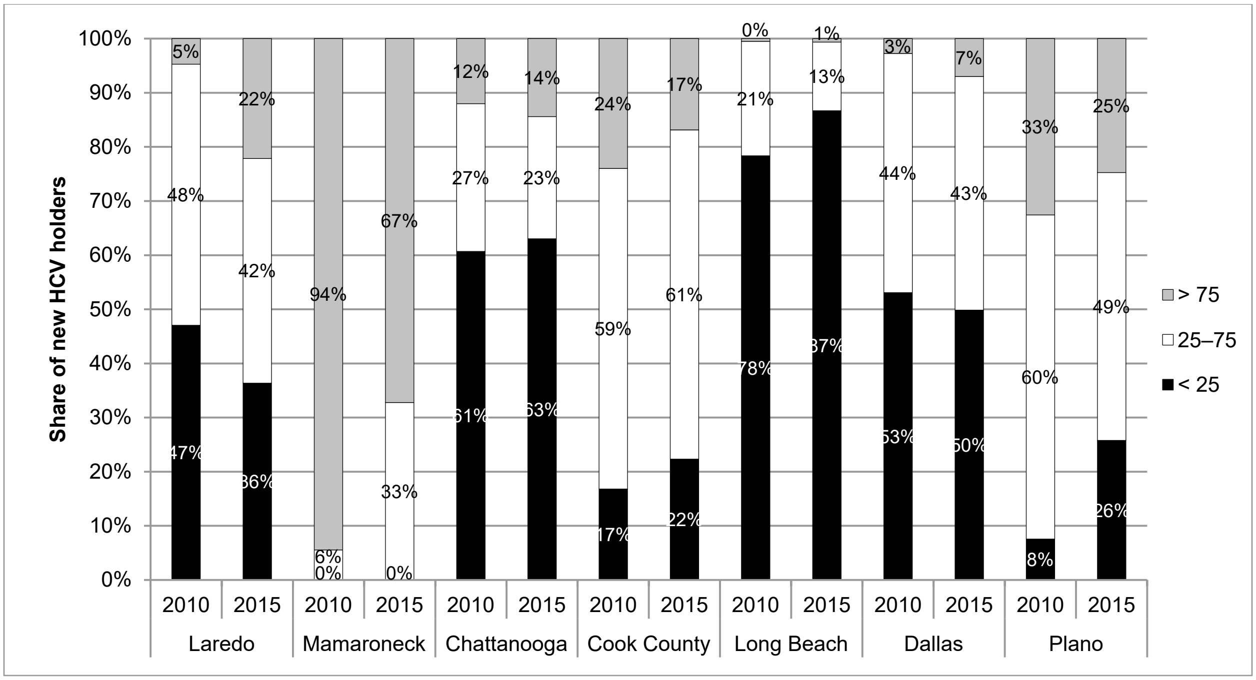


HCV = housing choice voucher. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 Small Area Fair Market Rents; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units); HUD Public and Indian Housing Information Center administrative data extract (counts); overall opportunity index

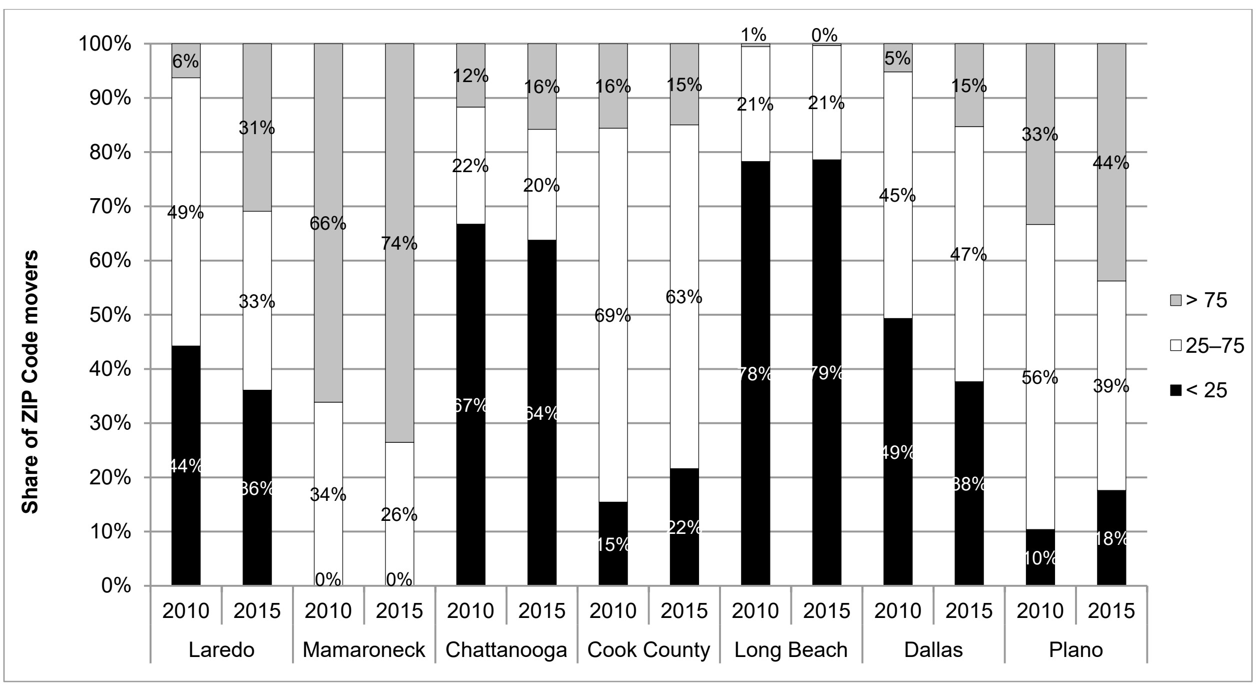
Exhibit 5-11 shows the variation by PHA among new HCV holders and ZIP Code movers. The trends for changes in access to higher opportunity areas are mostly similar to the trends for access to high-rent ZIP Codes. One notable difference between the two measures, however, is in Cook County, where gains in access to high-rent ZIP Codes do not translate into gains in access to higher-opportunity ZIP Codes.

Exhibit 5-11: Distribution of Opportunity Index by SAFMR PHAs—New and ZIP Code Mover Households

New Households



ZIP Code Movers



HCV = housing choice voucher. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 Small Area Fair Market Rents; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units); HUD Public and Indian Housing Information Center administrative data extract (counts); overall opportunity index

Additional Neighborhood Characteristics in ZIP Codes Where HCV Holders Reside

In addition to affecting the opportunity profile of the neighborhoods where HCV holders locate, implementing SAFMRs may result in HCV holders living in neighborhoods with a different demographic makeup. We examine a few examples of neighborhood demographic characteristics in this section—racial and ethnic composition of the neighborhood, share of households with children, and share of households where the head of household has a college degree. We stress that these characteristics are not measures of opportunity provided by the neighborhood. Rather, they provide insight into whether SAFMRs affect whether HCV holders live in more racially and ethnically integrated neighborhoods and in neighborhoods with different household demographic profiles.

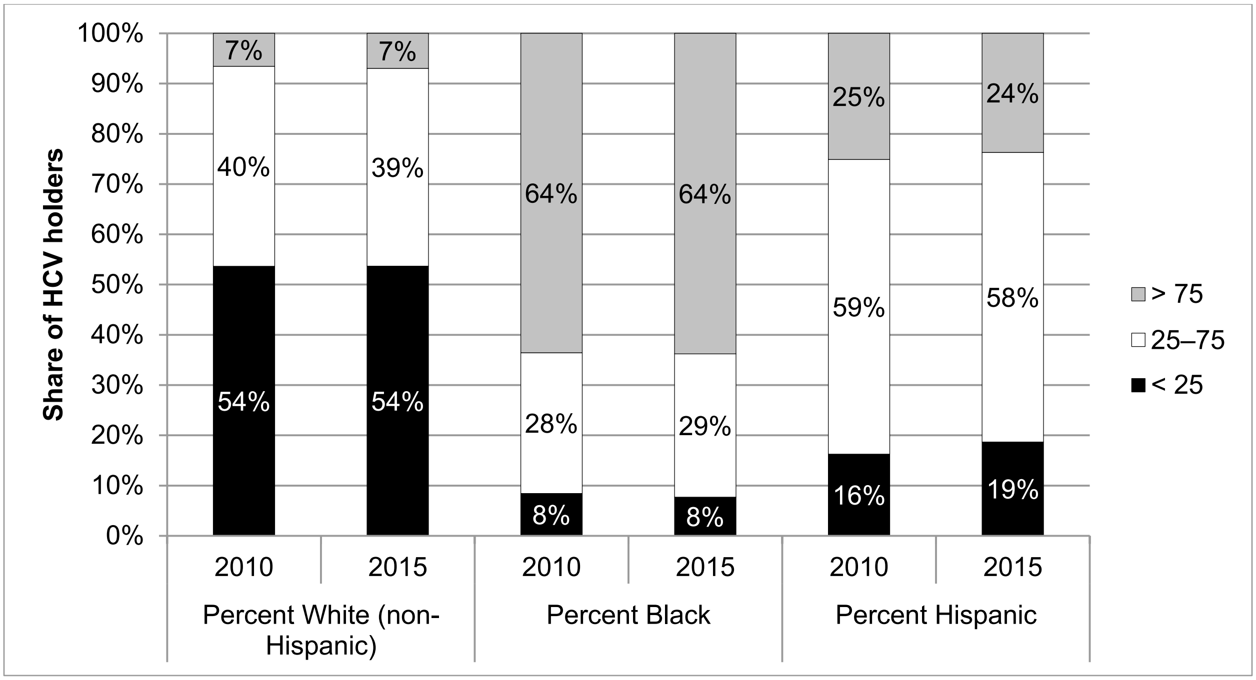
We examine these neighborhood characteristics using a methodology similar to the one we used to examine the opportunity measures. To enable us to draw comparisons for all SAFMR PHAs together, we normalize each characteristic as a percentile over all renters in the metropolitan area. We then report the share of HCV holders living in ZIP Codes in the bottom quartile, middle one-half, and top quartile of the metropolitan area for each characteristic. This common categorization also enables us to present the information on different characteristics together in a common exhibit. However, we calculate the percentile normalization for each characteristic independently.

Exhibit 5-12 shows that more than one-half of HCV holders in SAFMR PHAs live in neighborhoods that are in the bottom quartile of the share of households that are White, and more than one-half live in neighborhoods that are in the top quartile of the share of households that are Black. Slightly more than one-half of HCV holders live in ZIP Codes that are in the middle one-half of the metropolitan area distribution for Hispanic share. About a one-fourth of HCV households live in the top quartile of the share that are Hispanic, although slightly less than a one-fourth live in the bottom quartile.

In terms of the effects of SAFMRs, the exhibit shows essentially no change across all SAFMR PHAs combined between 2010 and 2015 in the share of housing choice voucher holders who live in neighborhoods in ZIP Codes in each percentile category of the share of households that are White, non-Hispanic, and Black. The share of households residing in neighborhoods in the bottom quartile of percent Hispanic increases from 16 percent to 19 percent. This increase is likely related to our findings of larger effects in the Texas PHAs. Similarly, no change exists for the Non SAFMR comparison PHAs (not shown) and no remarkable changes emerge across individual SAFMR PHAs (tabulations not shown).

However, a closer look at households that newly receive a voucher and households that have recently moved to a new ZIP Code show that SAFMRs may be beginning to alter HCV holder location outcomes in terms of the neighborhoods' racial and ethnic composition in which they live. Exhibit 5-13 shows that HCV holders new to receiving vouchers less frequently locate in ZIP Codes in the middle one-half of the metropolitan area distribution of percentage White in 2015 compared with in 2010, with the share living in these ZIP Codes falling from 41 to 37 percent. By contrast, in 2015, new HCV holders are more frequently locating in ZIP Codes that are in the top quartile of percent Black residents. The trend for percent Hispanic for new households is similar to that observed for all HCV holders, with the share residing in the ZIP Codes with the lowest share Hispanic increasing from 16 to 18 percent.

Exhibit 5-12: Share of All HCV Holders by Racial and Ethnic Composition of Neighborhood—SAFMR PHAs



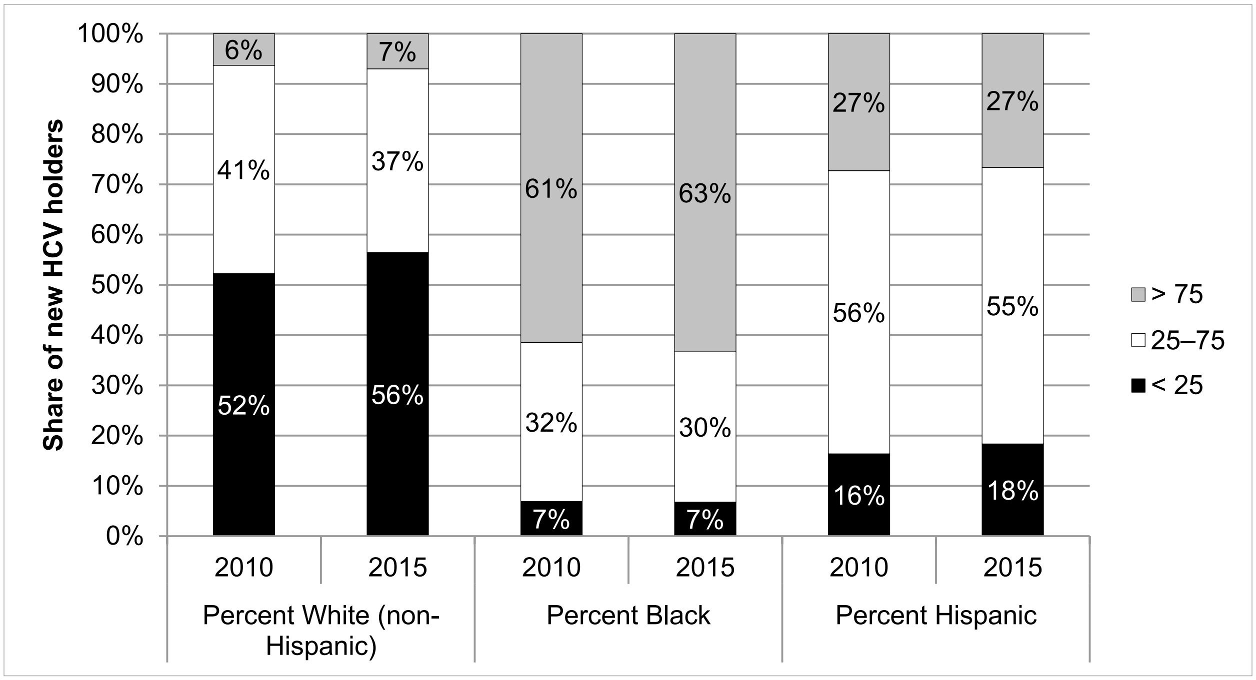
HCV = housing choice voucher. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 Small Area Fair Market Rents; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units); HUD Public and Indian Housing Information Center administrative data extract (counts)

In contrast, HCV holders who move to new ZIP Codes are more often moving to neighborhoods in the top quartile of percentage White, at 8 percent of new movers in 2015 compared with 5 percent of new movers in 2010. The percentage moving into neighborhoods in the top quartile of percentage Black is still the highest among all categories, at 62 percent in 2015, but this result is a decrease from the 67 percent observed in 2010. Also, a sizable gain occurred in the share locating in neighborhoods with comparatively low Hispanic shares. We note that no such trends are present in comparison PHAs (tabulations not shown), as the percentages of new voucher holders and movers in each category for each race or ethnicity essentially stay the same.

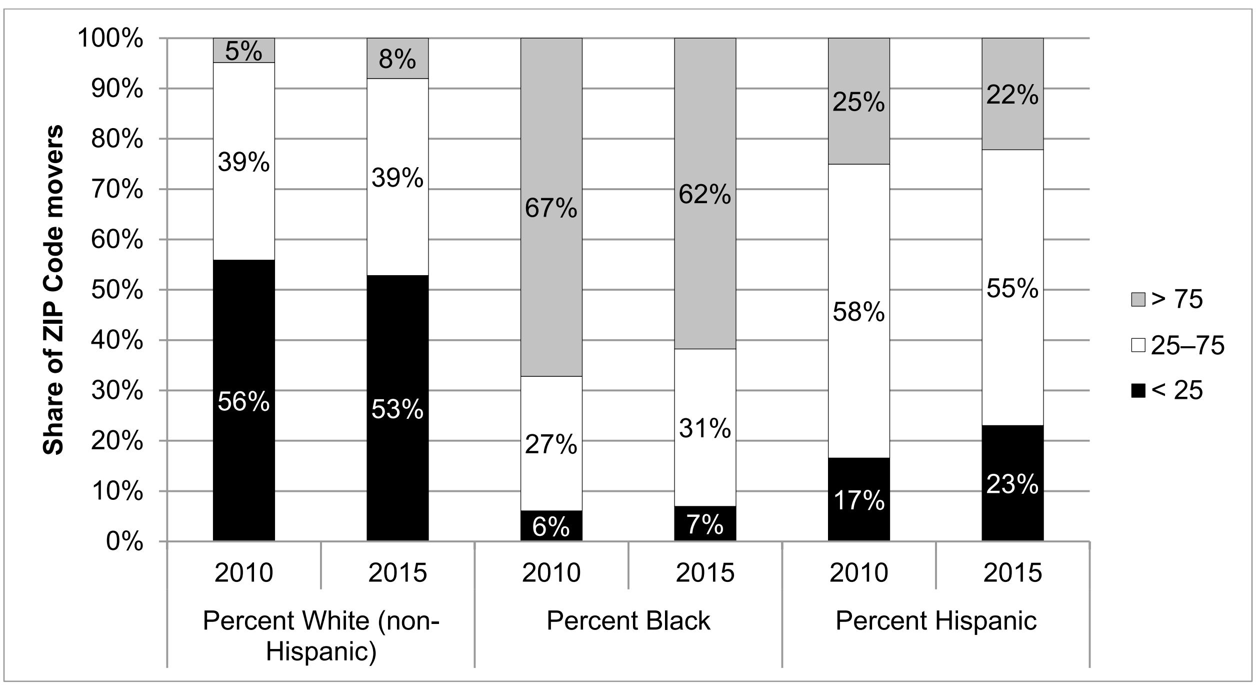
Exhibit 5-14 shows that the patterns observed for race and ethnicity—no changes for all HCV holders taken together, but some changes for new HCV holders and ZIP Code movers—are mirrored in the ZIP Code share of households with children and share of adults with a college degree. Essentially no changes are observed over all HCV holders. However, smaller shares of both new HCV holders and those moving to new ZIP Codes locate in ZIP Codes in the bottom quartile of the metropolitan area in terms of households with children. This phenomenon is particularly the case for new HCV holders, where the share locating in this bottom quartile falls from 23 percent to 12 percent.

Exhibit 5-13: Share of All HCV Holders by Neighborhood Racial and Ethnic Composition—New HCV Holders and ZIP Code Movers

New HCV Holders



ZIP Code Movers

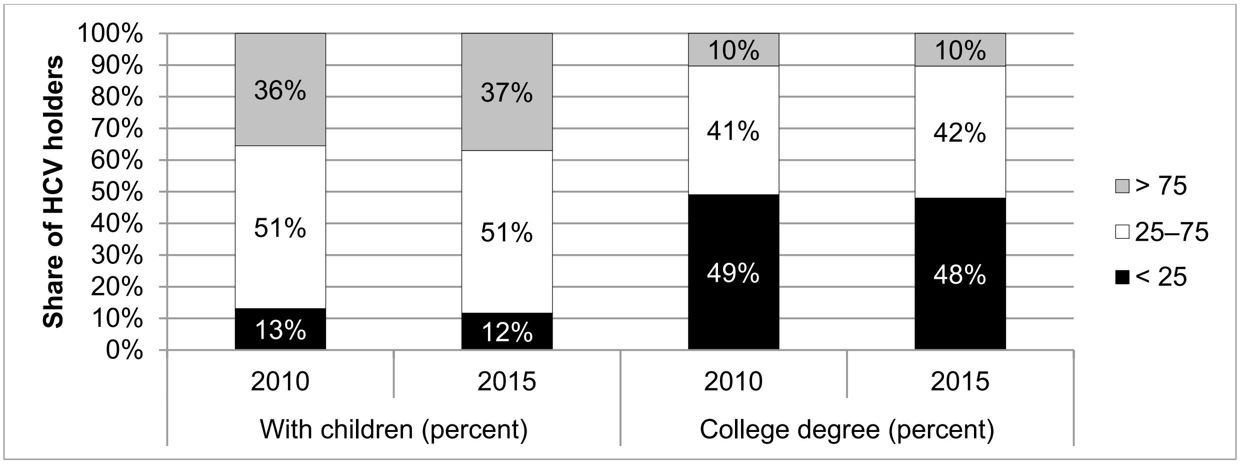


HCV = housing choice voucher.

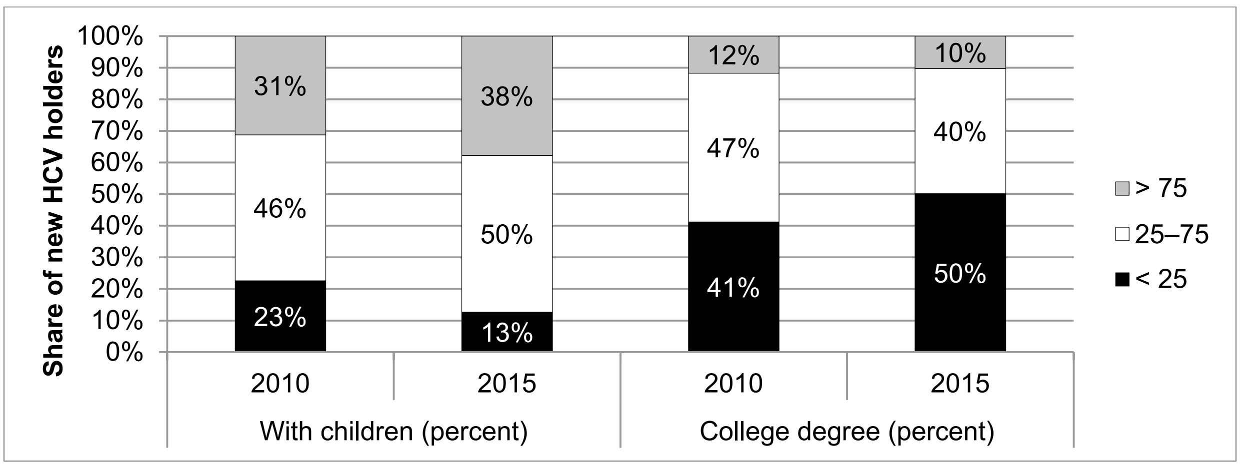
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 Small Area Fair Market Rents; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units); HUD Public and Indian Housing Information Center administrative data extract (counts)

Exhibit 5-14: Share of All HCV Holders by Neighborhood Percentage of Households With Children and With a College Degree—SAFMR PHAs

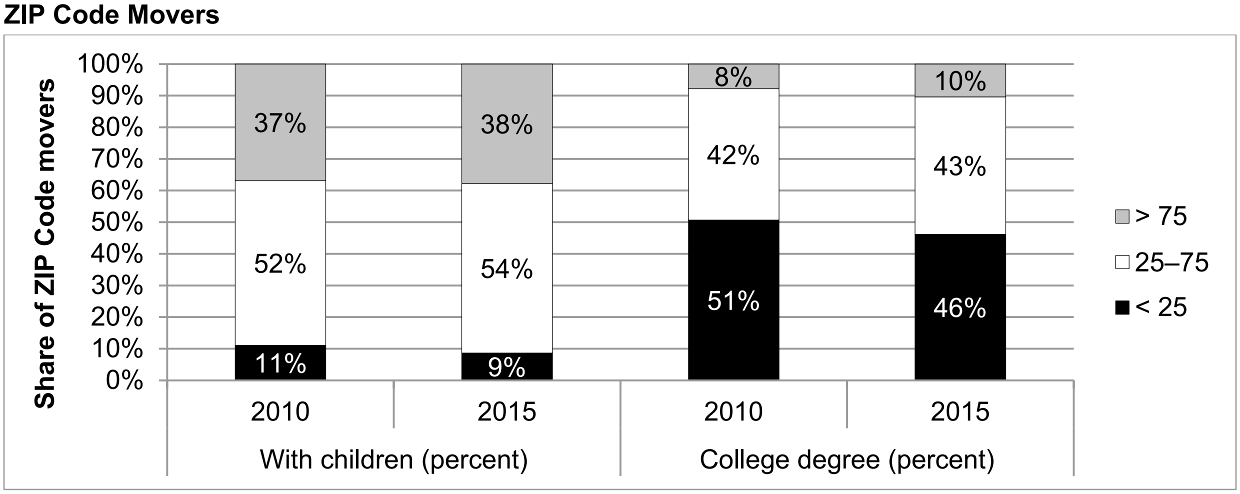
All HCV Holders



New HCV Holders



ZIP Code Movers



HCV = housing choice voucher. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 Small Area Fair Market Rents; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units); HUD Public and Indian Housing Information Center administrative data extract (counts)

For the share of adults with a college degree, we see opposite patterns for new HCV holders and those moving across ZIP Codes. Between 2010 and 2015, the share of new voucher holders locating in ZIP Codes in the bottom quartile in the metropolitan area for this characteristic increases 9 percentage points to 50 percent, whereas for ZIP Code movers, it falls by 5 percentage points to 46 percent. Again, these trends are not observed for the comparison public housing agency sample (tabulations not shown).

Summary

In summary, it appears that Small Area Fair Market Rents are working as intended—increasing *access* to units in higher-opportunity areas and decreasing access in lower-opportunity areas.

This finding that SAFMRs are working as intended is borne out when looking at rents and at opportunity measures. In practice it also appears that as HCV holders move to new units (whether through new entry into the HCV program or existing voucher recipients moving to a new unit in a different ZIP Code), they are more likely to move to higher-opportunity areas compared with pre-SAFMR moves. No similar changes are observed in a broad group of comparison PHAs where SAFMRs were not implemented.

The areas where new and moving HCV holders locate after the introduction of SAFMRs change in terms of other neighborhood characteristics, as well. In particular, households moving to a different ZIP Code after the introduction of SAFMRs are more likely to locate in neighborhoods that have a lower share of minority residents and a higher share of adults with a college degree.

Phase 2 of the evaluation will revisit all these measures. If the trends observed in the current report continue, we expect that as more HCV holders move, we will see more HCV holders living in areas of higher opportunity.

One (likely) unexpected consequence of the demonstration is that across the SAFMR PHAs, fewer units overall are available at rents below the prevailing Fair Market Rent. This consequence is because the increase in units below the SAFMR in the high-rent ZIP Codes is more than offset by the decrease in units in the low-rent ZIP Codes. This problem is greater in some areas (such as Long Beach) than others, suggesting that a shift to SAFMRs may make it more difficult for participants to use vouchers. The data also show that some PHA jurisdictions (again, Long Beach) have a relatively small number of rental units in areas of opportunity (when opportunity is measured in relation to the entire metropolitan area), which limits the potential of SAFMRs to enhance access to high-opportunity areas.

6. Perceptions of Tenants' Experience and Administrative Impacts of Small Area Fair Market Rents on Public Housing Agencies

We begin by reporting findings from our conversations with PHA staff at the SAFMR PHAs about their perceptions of tenants' experience. Then, in the following three sections, we report on data collected during site visits. We first describe the steps PHAs took to implement SAFMRs, including changes to systems and processes needed to administer SAFMRs. We then quantify these impacts (to the extent data are available) in terms of staff effort and expenditures for items such as additional staff hires and software updates to accommodate SAFMRs, which is followed by a section reporting on the financial impacts of SAFMRs on PHAs. The final section documents PHA perspectives on the ways SAFMRs affected landlords and how landlords responded.

PHA Perceptions of HCV Holders' Experience With SAFMRs

The focus of the second round of site visits in 2017 will be participants' experience with SAFMRs. Here, we report on how *PHAs perceive* these additional influences on tenant decisionmaking. We also gathered information from PHAs about HCV holders' success in finding units and the reasons leading to that success. The following is a summary of what we learned about HCV holders' experiences shifting to SAFMRs.

The initial challenge was for HCV holders to understand changes in units they could afford under SAFMR. After explanation from the PHA and some experience with the demonstration, HCV holders (according to PHAs) now understand the program and what they can afford. In general, PHAs believe that they needed fairly limited additional efforts to educate HCV holders about SAFMRs. PHAs created some new briefing materials, such as a chart of payment standards by unit size and ZIP Code and a brief explanatory letter. These materials were either mailed to HCV holders as part of the reexamination packet or provided to tenants during annual reexamination briefings. None of the PHAs reported holding additional briefings to explain SAFMRs, however Plano reported lengthening the usual briefing to explain SAFMRs. Long Beach and Mamaroneck noted that attendance at briefings was higher than usual, because more households requested moves. Some tenants reportedly learned about the higher payment standards in high-opportunity areas through fellow HCV holders.

PHAs reported that new families generally found it easier to understand SAFMRs than did existing HCV holders, because new families did not have prior experience with a different payment standard process. Existing families were sometimes initially confused by the change in payment standards, but all PHAs reported that they now understand SAFMRs. Plano noted that port-ins had difficulty understanding SAFMRs, because it was a change from the program to which they were accustomed. Chattanooga noted that an additional change in utility allowance was implemented at the same time as the shift to SAFMRs, and that this utility allowance change was more difficult to explain (and for tenants to understand) than SAFMRs.

Many HCV holders searched for units in new areas, although the extent of searching in new areas tended to vary by the type of participant. PHAs generally provided limited assistance to HCV holders interested in moving to high-opportunity neighborhoods. Most PHAs reported that HCV holders often searched in high-opportunity areas, but some ultimately stayed in the same areas because of established networks. In some PHAs, high-opportunity areas tended to have fewer transportation options, which also led some households to stay in current neighborhoods. Mamaroneck reported that other costs in addition to transportation, such as higher childcare costs, were a barrier to families moving to higher-opportunity neighborhoods.

PHAs perceived that existing elderly or voucher holders with disabilities were less likely to search for new units in high-opportunity neighborhoods, because their current units were in close proximity to medical providers and other resources. As a result, when payment standards declined in low-rent ZIP Codes, those tenants sometimes were required to pay higher rents. At least two PHAs, Dallas and Long Beach, reported that some elderly or HCV holders with disabilities left the program because of the increased tenant shares of rent for units. It may be that in some sense, what constitutes a higher-opportunity neighborhood is in the eye of the beholder. That is, elderly or tenants with disabilities may view the amenities available in current neighborhoods as more valuable than those offered by neighborhoods with higher rents and opportunities. It may also simply be that moving to different neighborhoods is more difficult for elderly people and people with disabilities.

Long Beach reported that HCV holders had great difficulty searching for units in high-opportunity areas. These neighborhoods had few rental units, and even with SAFMRs, the market rents were not affordable. Landlords preferred to rent to nonvoucher holders and at rents above those allowed for by SAFMR payment standards.

PHAs reported mixed experiences with HCV holders' search times. Long Beach said that voucher holders had more difficulty finding units, because SAFMRs significantly lagged the market due to gentrification in key areas. SAFMRs are published only annually and payment standards were too low to cover the rents in these areas. Long Beach reported that discrimination based on the source of income also played a factor. Long Beach now gives a standard of 120-day search time, with extensions up to 180 days and longer. The PHA applied for 120-percent exception rents in several ZIP Codes.[28] At the time, the PHA probably was not aware that in addition to previously described factors, SAFMRs reduced the number of units with rents below SAFMRs compared with FMRs by 12 percent, nearly double the decline of any other PHA in the demonstration.

Mamaroneck and Plano said that the search time was sometimes longer, because tenants were unfamiliar with new, higher-opportunity neighborhoods. Other PHAs, including Laredo and Chattanooga, believed thatno changes in either the level of difficulty finding units or search times ocurred. Cook County said it was now easier for voucher holders to find units because of the higher payment standards. (Chattanooga reported that zero-income renters had a harder time finding units than other renters, although this difficulty was unrelated to SAFMRs.)

Factors other than rents affected where tenants chose to live. Chattanooga reported that HCV holders initially searched in high-rent areas. However, because those areas lack public transportation, ultimately HCV holders without transportation chose to live in midrange neighborhoods that had good access to bus transportation. The same PHA reported that many households preferred to stay in familiar areas, or comfort zones.

[28] The exception had not been granted at the time of the first site visit. We will confirm whether the exception is approved during the second site visit.

Factors Affecting PHAs' SAFMR Implementation

As expected, we found that SAFMRs implementation altered some PHA administrative responsibilities and, at times, increased the volume of transactions the PHA must process and the level of effort required to complete certain activities. As discussed in detail in the remainder of this section, the initial adjustment took roughly a year, during which PHAs set payment standards at the ZIP Code level for the first time, created materials explaining and promoting SAFMRs to landlords and tenants, trained staff on the new payment standards, made modifications to software systems to accommodate many more payment standards, and sent tenants letters of impact.

In the short term, as PHAs changed policies and procedures and as staff, tenants, and landlords adjusted, the net effect was always an increase in administrative costs.

After initial adjustments, the extent of impacts on PHAs declined, but nearly all PHAs also reported permanently higher ongoing administrative costs. This section first recaps motivations of the PHAs for participating in the SAFMR demonstration and then describes the approach PHAs took to implement the demonstration. The section titled Opportunity Measures in ZIP Codes Where SAFMR Holders Live provides a preliminary analysis of the magnitude of these administrative impacts, and the section titled Additional Neighborhood Characteristics in ZIP Codes Where HCV Holders Live discusses related expenditures and staff effort.

PHA Reasons for Using SAFMRs

The five PHAs in the SAFMR Demonstration (Chattanooga, Cook County, Laredo, Long Beach, and Mamaroneck) were randomly selected and agreed to participate. Four of these five PHAs reported that a key reason for implementing SAFMRs was to make units available to HCV holders in higher-opportunity neighborhoods.[29] One PHA specifically noted that SAFMRs could help to deconcentrate HCV tenants. The fifth PHA reported joining reluctantly, after what it perceived to be encouragement from HUD and also a sense that eventually SAFMRs were to be implemented more broadly, with the demonstration as a way to get ahead of schedule. Secondary reasons for participation in the SAFMR demonstration included the increased administrative fees that accompanied participation in the demonstration and PHA desires to attract new landlords to the program, reduce Housing Assistance Payment costs, and enable tenants to move to higher-quality units.

The mixed motivations for implementing SAFMRs may not necessarily dictate the results. That is, some PHAs encouraged or required to join reported that the benefits experienced by HCV holders, as a result of the demonstration, may outweigh the costs and inconvenience to the PHA. Alternatively, given the specific market context, PHAs that joined voluntarily may find that SAFMRs have not enabled enough tenant moves to higher-opportunity areas—or have introduced enough other challenges—to warrant the extra cost and effort of implementation. The study's final report due in 2018 will shed further light on the importance of market context.

A court settlement required that the two Dallas area PHAs in this study, Dallas and Plano, use SAFMRs. Therefore, beginning in 2011, Dallas and Plano, along with every other PHA in the seven-county Dallas, TX area, were required to use SAFMRs. Because Dallas and Plano are not part of the SAFMR Demonstration, their experiences and motivations are different.

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[29] Note that none was a Moving To Work PHA.

External Factors That Affected Implementation

Factors external to SAFMRs and the demonstration also affected implementation. These factors varied across PHAs and include federal budget sequestration, source of income legislation, housing desegregation litigation, and market conditions.

Federal Budget Sequestration

Five PHAs—Cook County, Dallas, Long Beach, Mamaroneck, and Plano—cited sequestration in 2013 as a factor that slowed implementation of SAFMRs and probably dampened its effects. Sequestration refers to automatic, across-the-board budget cuts to discretionary-funded programs, passed into law in 2011, that were to take effect if Congress could not agree on a plan to reduce the national budget deficit by a specific amount. These cuts started in March 2013, resulting in reduced payments for both operating and capital funds for PHAs.

The timing almost certainly affected the SAFMR demonstration. Although Dallas and Plano implemented SAFMRs in 2011, the remaining five PHAs had not signed agreements to operate under SAFMRs until October 2012. By early 2013, several PHAs were still transitioning to SAFMRs and interrupted by sequestration. As a result, most PHAs temporarily stopped issuing new vouchers, reducing the number of households enrolled in the HCV program. One PHA was forced to recall vouchers already issued, resulting in fewer households joining the HCV program during the early stages of SAFMR implementation. Reportedly, sequestration also affected staffing levels in PHAs, including Cook County, Dallas, and Long Beach. In general, this staff reduction increased workloads for PHA staff members. The Long Beach PHA also reported that relationships with landlords suffered as a consequence of staff reduction, further exacerbating challenges to HCV holders in finding rental units, which we will discuss further in this chapter.

At the end of 2013, federal policymakers agreed on a budget that reduced the effects of sequestration for 2014 and 2015. Although this agreement technically ended the PHA budget crunch brought on by sequestration, PHAs report that it took significant time—as long as a year in some cases—to return to normal funding and staffing levels. Exhibit 6-1 summarizes this timing of the implementation of SAFMRs and subsequent sequestration.

Exhibit 6-1: Timeline of Sequestration

Spring 2011	SAFMRs effective for Dallas and Plano PHAs.
October 2012	SAFMRS effective for the five PHAs participating in the demonstration.
March 2013	Sequestration takes effect.
December 2013	Agreement to end sequestration.

PHA = public housing agency. SAFMR = Small Area Fair Market Rent.

Source of Income Discrimination Legislation

Other external events affected SAFMR implementation and, to some extent, made each site a unique experiment. In Cook County and Mamaroneck, legislation protecting against discrimination by landlords on the basis of the source of income occurred at about the same time as the SAFMR implementation (2013 and 2012, respectively). Both locations reported that this coincidence helped smooth the transition by increasing the number of landlords participating and the units available to HCV holders, and thus, voucher success rates at least temporarily.[30,31]

Housing Market Conditions

Market conditions generally varied over the course of the demonstration, and these conditions had important effects in many areas on HCV holders' ability to move to higher-opportunity neighborhoods. PHA staff in Chattanooga, Dallas, Long Beach, Mamaroneck, and Plano all expressed a belief that declining vacancy rates affected HCV holders in their jurisdictions during the time period of this evaluation.

We examined vacancy rates independently and found that, in five of the seven SAFMR PHA jurisdictions, rolling average rental vacancy rates fell from 2011 to 2014—sharply in Chattanooga and Dallas, somewhat less so in Cook County and Plano, and only slightly in Long Beach (Exhibit 6-2). PHA staff in these places believed that, at the beginning of the demonstration, the relatively loose rental market made HCV holders attractive tenants, which increased the options available to the voucher holders. Over the course of the demonstration, however, several PHAs reported that the improving housing market may have had the opposite effect. All five PHAs reported that a looser rental market at the beginning of SAFMR implementation meant that HCV holders had more opportunities to move. These opportunities have declined since then because of the tightening market.

In addition to citing a generally improving economy, PHA staff we spoke with in Dallas and Plano believe this tightening rental market was related to the relocation of large, new employers to the area, which increased competition for housing units. In Long Beach, vacancy rates declined only slightly and probably do not fully account for the much greater difficulty in finding rental units reported by PHA staff. HCV holders' experiences in Long Beach may be more closely related to the number of units affordable to them declining as a result of SAFMRs, as discussed in chapter 4. As with declining vacancy rates, the likely effect of a decline in units renting below the applicable FMR would be to make it harder for HCV holders to find units.

In the Mamaroneck PHA, with HCV holders throughout Westchester County, New York, our data does not demonstrate the perception that overall vacancy rates declined for the county as a whole. However, it is possible that the rental market tightened in the portions of the county where its HCV holders primarily searched. ACS data show that rolling average rental vacancy rates in Westchester County increased slightly from 2011 to 2014. Vacancy rates were relatively flat in the Laredo PHA jurisdiction. Compared with areas with tightening rental markets, in Laredo and Mamaroneck, HCV tenants may have encountered less competition and, therefore, less difficulty in moving to rental units in higher-opportunity areas to take advantage of higher payment standards available under SAFMR.

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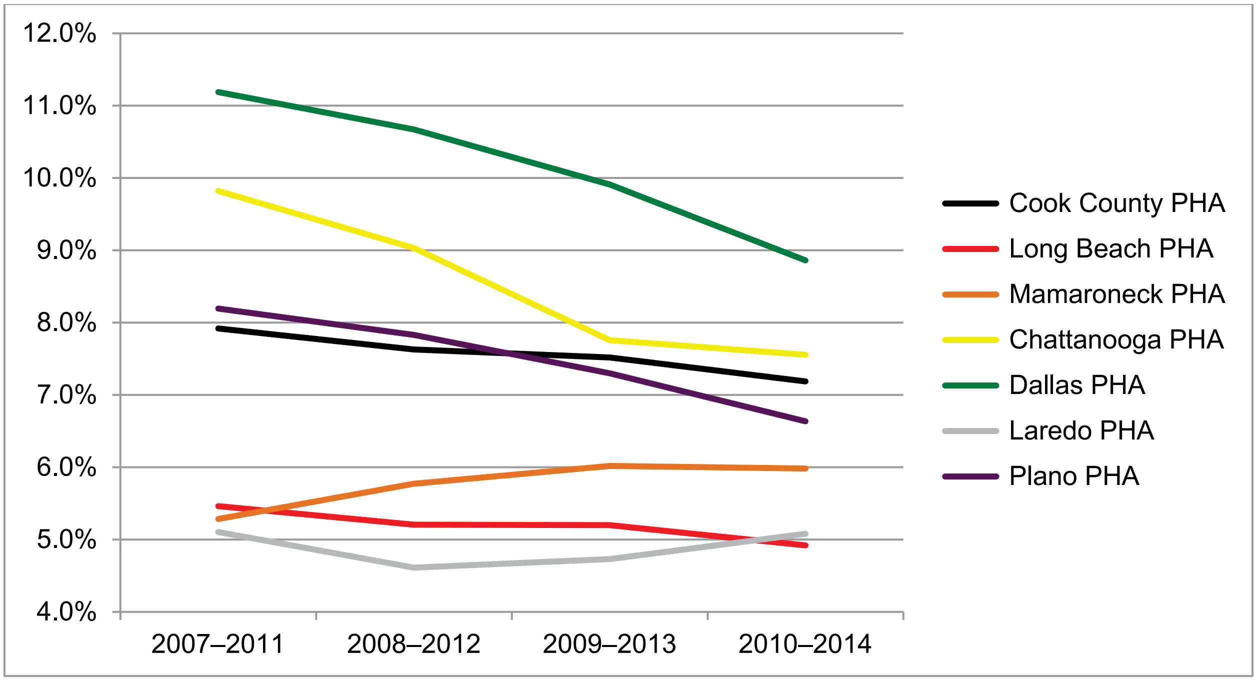
[30] Cook County cited high voucher success rates and attributed these higher rates of success to the legislation. Mamaroneck cited specific apartment buildings that became available to HCV tenants because of the legislation.

[31] Both PHAs expected that some landlords would eventually use credit quality discrimination, which is legal, to exclude voucher holders to the extent possible. However, in the short term, and importantly for these PHAs during the transition to SAFMRs, legislation prohibiting discrimination on the basis of source of income helped voucher holders.

Exhibit 6-2: Change in (Rolling Average) Vacancy Rates, 2011–2014



PHA = public housing agency.
Source: American Community Survey

The tightening of rental housing markets in most SAFMR jurisdictions may have made it more difficult for HCV holders to find housing in high-opportunity areas of the jurisdictions, leading to lower effects of SAFMRs relative to what might have occurred in looser rental markets where HCV holders have more selection and less difficulty finding new rental units.

Other market effects were also in play in Long Beach where PHA staff believe that large numbers of foreclosures from the housing market downturn led to increased competition for rental units. At the same time, that PHA reported that gentrification of the city's downtown raised rents and reduced the number of units available to HCV holders. The PHA specifically suggested that HCV holders not relocate, if possible, to avoid losing their current units and risking not being able to find new rentals.

Related to the rapidly changing housing market conditions experienced in some evaluation sites, PHA staff at Long Beach, Mamaroneck, and other locations believe that SAFMRs, which are set by HUD once per year and often not implemented by PHAs until the next January, sometimes lagged the market. This lag meant that even the higher SAFMRs available in higher-cost neighborhoods were reported to be too low to cover market rents by the time they went into effect. HCV holders are generally at a disadvantage relative to other renters (hence the need for protection from discrimination on the basis of source of income), and this lag may have further disadvantaged HCV holders.

PHA Policy Changes

Other policy changes made by PHAs also affected HCV holders and their likelihood of moving. Although these changes did not directly affect the SAFMR implementation, they may have affected HCV holders' location decisions and their success in using vouchers. For example, Dallas reported that voucher success rates dropped sharply in 2014, but that this decrease was related to a change in the occupancy standard that reduced the number of bedrooms for which tenants qualified.[32] Some households were over-housed as a result of the change and moved to units with lower tenant rent burdens. All this change in occupancy standard was exacerbated by reductions in staffing that resulted from sequestration.

SAFMR Administrative Impacts on PHAs

In general, the primary impacts of the transition to SAFMRs on PHA program administration were due to changes in effort and procedures related to analyzing and setting payment standards, training staff on how to explain and apply the new payment standards, and the need to either modify or adopt automated systems capable of handling ZIP Code-level payment standards. There were also some impacts related to contract rent adjustments, changes to the communications strategy for landlords and tenants, and increased effort for Housing Quality Standards inspections because of the reduced geographic concentration of HCV holders' housing search areas.

Other impacts on PHAs were minimal, meaning that not much time or money was spent on these tasks.

- Although most PHAs changed outreach materials for tenants to include multiple payment standards, they did not substantially change other kinds of tenant outreach or support such as briefings.
- For most PHAs, PHA administrative processes required only minor modifications, such as rent reasonableness evaluations, PHA plans and administrative plans, procedures, and quality assurance.

Some of the administrative changes related to SAFMRs were unavoidable. For example, all PHAs had to modify automated systems designed to administer vouchers with one metropolitan area FMR to accommodate ZIP Code-level payment standards.

On the other hand, some of the PHAs' administrative changes in response to the demonstration were related to local market conditions or the pattern of changes in FMRs in the PHAs' jurisdictions. For example, although PHAs were not required to recruit new landlords to participate in the HCV program in ZIP Codes newly accessible to HCV holders, local market conditions led some PHAs to make more extensive landlord recruitment efforts than others. The Long Beach PHA, for example, made more intensive efforts to recruit landlords than did other PHAs, because HCV holders had an unusual amount of difficulty finding units in higher-opportunity ZIP Codes. In addition, some PHAs' existing practices made it easier to integrate SAFMRs than others' practices. For example, PHAs with automated access to rental market information found changes to the rent reasonableness evaluation process to be minimal. The PHA that accessed rental market information to evaluate rent reasonableness manually experienced more difficulty integrating SAFMRs.

[32] It was not uncommon for PHAs to change occupancy standards in response to sequestration, but Dallas was the only one among the demonstration PHAs that did so.

In the following sections, we present the hypothesized list of impacts on PHAs and the preliminary assessment of the magnitude of actual impacts based on the first round of site visits (which will be further investigated during the second round of site visits in Phase 2). One-time impacts are adjustments that PHAs made once to implement SAFMRs and include changes to PHA plans and administrative plans and modifications to automated systems. Transitional impacts are those that occurred over a period of adjustment (generally about a year) and include new procedures and staff training. Finally, ongoing impacts are permanent increases in the effort required to administer HCVs and include increased quality assurance efforts.

We categorize these observed impacts as minor, moderate, or significant and reflect average impacts across all the PHAs. Specific PHAs may have had a different experience from the general experience. We highlight these idiosyncratic experiences where relevant.

In addition to presenting and categorizing the impacts, the following sections also include narrative overviews of some of the more salient impacts of SAFMRs on the PHAs, including PHA views on the adequacy of the supplemental administrative fees HUD provides to cover the costs of implementing SAFMRs.

Modifications to PHA Plans and Administrative Plans

Dallas is the only PHA that made significant modifications to its PHA plan and administrative plan to accommodate SAFMRs. Five of the seven PHAs made either no or minimal changes (spending one hour of staff time) to update plans for SAFMRs. Plano made moderate changes to its administrative plan but essentially no changes to its PHA plan. Mamaroneck made significant changes to both plans at the time the SAFMR demonstration started, but this modification was motivated by the merger of two PHAs and not by the demonstration. Exhibit 6-3 presents our assessment of the impact of SAFMRs on modifications to PHA plans and administrative plan.

Exhibit 6-3: Preliminary Assessment of SAFMR Demonstration Impacts: PHA Plan and Administrative Plan Changes

Type of Impact	Hypothesized Impacts	Observed Impacts	Magnitude of Observed Impacts (Preliminary)
One time.	Revisions to PHA plan and administrative plan required to establish payment standards, rent reasonableness, and tenant rents. Some PHAs have administrative plans with extensive procedural documentation, which may require more substantial modifications.	With one exception, only minor modifications (if any) were needed.	Minor.

PHA = public housing agency. SAFMR = Small Area Fair Market Rent.

Modifications to Automated Systems

Four PHAs (Chattanooga, Dallas, Mamaroneck, and Plano) found it necessary to modify the automated systems that accommodate additional payment standards.[33] Modifications typically involved contracting with software providers, such as Visual HOMES, to customize the system of record software PHAs used to perform functions to maintain participant household data and calculate landlord payments. Two of the four PHAs (Dallas and Plano) required significant efforts to modify automated systems, whereas the upgrade was minor for Chattanooga and Mamaroneck. Other automated tools required updates, such as a property listings database (for Mamaroneck), automated affordability calculators (Dallas and Long Beach), and tools for assessing rent reasonableness (Mamaroneck and Plano). Modifications to other automated tools generally required minor effort, except for Mamaroneck's rent reasonableness database, which (as described below) requires significant ongoing effort. Exhibit 6-4 presents our assessment of the impact of SAFMRs on modifications to PHA's automated systems.

Exhibit 6-4: Preliminary Assessment of SAMFR Demonstration Impacts: Modifications to Automated Systems

Type of Impact	Hypothesized Impacts	Observed Impacts	Magnitude of Observed Impacts (Preliminary)
One time.	May require systems of record adaptations to accommodate additional payment standards and to permit selection of different payment standards for same unit size. Additional tools that may require adaptations include rent reasonableness data system and tool for determining unit affordability.	Four PHAs needed modifications to systems of record; effort required varied widely. Five of seven PHAs had additional automated tools that typically required minor modifications.	Varies: minor to significant.

PHA = public housing agency. SAFMR = Small Area Fair Market Rent.

Analyzing and Setting Payment Standards

All PHAs had to decide how to set payment standards in response to SAFMRs. The number of FMRs in each PHA's jurisdiction multiplied dramatically. Even the smallest PHA (Laredo) increased the number from one FMR to five SAFMRs per unit size. The largest PHA (Dallas) now has 343 FMRs per unit size in its jurisdiction. HUD's policy, requiring that new payment standards not be applied to existing HCV holders until the second annual reexamination following the effective date of the payment standard reduction, was an added complication for PHAs in setting payment standards. The intent of the policy was to smooth the transition in the case of a decline in payment standards. This 2-year *hold harmless* period meant that both

[33] Laredo PHA staff had almost entirely turned over since implementing SAFMRs. Therefore, current staff did not know whether changes either to the system of record or to any other automated tools were required to accommodate the demonstration.

metropolitan area FMRs and SAFMRs were effective in some ZIP Codes at the same time—one that would apply to HCV holders moving into the ZIP Code and one based on old metropolitan area FMRs for existing tenants. Further, PHAs had to decide at what level, between 90 and 110 percent of FMR, to set payment standards for each ZIP Code or other sub-area within the jurisdiction. Exhibit 6-5 presents our assessment of the impact of SAFMRs on PHAs analyzing and setting payment standards.

Exhibit 6-5: Preliminary Assessment of SAFMR Demonstration Impacts: Analyzing and Setting Payment Standards

Type of Impact	Hypothesized Impacts	Observed Impacts	Magnitude of Observed Impacts (Preliminary)
Transitional, ongoing.	Although the first year will be the most challenging, expanding the PHAs' analysis from a single set of FMRs to multiple will require ongoing analysis that is more complex than before SAFMR. Focusing on using FMRs as a mobility tool, rather than strictly a funds management tool, will be new to some PHAs.	Setting SAFMR payment standards is much more time consuming, because many more market areas exist.	Significant for most PHAs.

PHA = public housing agency. SAFMR = Small Area Fair Market Rent.

Most PHAs included several factors in determining appropriate payment standards—the number of households affected by payment standard increases and decreases, the impact on HAP costs, and the PHAs' administrative burden. The process of determining appropriate payment standards is a time-consuming process that requires analysis of each ZIP Code. PHAs reported that because ZIP Code payment standards were new, more effort was generally involved in setting payment standards during the first year than in subsequent years, although much of the process had to be repeated each year.

Chattanooga, Long Beach, and Plano initially set all payment standards at 100 percent of the SAFMR. For Plano, a desire to avoid a lawsuit that might stem from any appearance of differential treatment motivated this decision. After the hold harmless period ended, both Chattanooga and Long Beach increased payment standards to 110 percent of SAFMR for some of or all their jurisdiction. In April 2015, Long Beach implemented an across-the-board increase in response to the decreases in payment standards in many ZIP Codes under SAFMRs and the sharp drop in units available to HCV holders in the PHA's jurisdiction (Exhibit 4-5 in chapter 4) and as an incentive for new landlords in high-opportunity areas. Chattanooga restricted the increase to 110 percent of the SAFMR to areas where SAFMRs required declines in the payment standard, to reduce the administrative burden of handling decreases in payment standards, as well as the risk of errors in selecting the correct payment standard.

Two PHAs tried to make the process of analyzing and setting payment standards more manageable by grouping ZIP Codes so that fewer FMRs than ZIP Codes exist, with mixed success. Cook County uses this approach and currently has 21 payment standards per unit size rather than one for each of its 170 or so ZIP Codes. Dallas tried to create groups of ZIP Codes with the same payment standard for the first 2 years of SAFMR implementation and then decided the ZIP Code-level approach worked better.

Rent Reasonableness

PHAs generally did not find approaches to evaluating rent reasonableness any more difficult using SAFMRs than metropolitan area FMRs, with one notable exception. Five of the seven PHAs reported using an automated rent reasonableness system or some automated source of information for rent reasonableness such as GoSection8, a property rental listings database for PHAs populated with rental unit information by landlords. Landlords list units on this website, families search available units on it, and PHAs use it to select units comparable with those being evaluated. One PHA said the only change to this reported approach is that staff now select comparable units for the rent reasonableness determination only within the same ZIP Code. Exhibit 6-6 presents our assessment of the impact of SAFMRs on rent reasonableness determinations.

Exhibit 6-6: Preliminary Assessment of SAFMR Demonstration Impacts: Rent Reasonableness

Type of Impact	Hypothesized Impacts	Observed Impacts	Magnitude of Observed Impacts (Preliminary)
Transitional.	May simplify rent reasonableness determinations, because local area rents are embedded in the SAFMR. Alternatively, PHA staff may have to be more knowledgeable about sub-areas and may not be familiar with the housing stock and market in high-opportunity areas.	With one exception, only minor modifications were needed.	Minor.

PHA = public housing agency. SAFMR = Small Area Fair Market Rent.

Mamaroneck's PHA, which does not use an automated source of property information for rent reasonableness determinations, is the exception. It constructs a property information database from scratch using market listings, generally from the multiple listing service. Three property listings for every unit size for each market area (for example, ZIP Code) are entered into its rent reasonableness database. Creating the database was a time-consuming process, and because it must be updated regularly, the PHA hired an intern to work about 5 hours a week on an ongoing basis to update the database. This database also helps set payment standards by serving as a check on how close market rents are to SAFMRs, among other things. Prior to the demonstration, this manual approach to rent reasonableness was relatively simple, because PHA staff viewed their jurisdiction as a single-market area.

Contract Rent Adjustments

SAFMRs increased requests from landlords for contract rent adjustments for five of the seven PHAs for units in areas where payment standards went up. However, higher payment standards did not always result in the PHA approving the contract rent adjustment, because rent reasonableness determinations did not always support the higher rent requested. Two PHAs reported that landlords were often sensitive to whether rent increases fell on tenants or the PHA and withdrew requests for adjustments when becoming aware that tenants would pay higher rents. Exhibit 6-7 presents our assessment of the impact of SAFMRs on contract rent adjustments.

Exhibit 6-7: Preliminary Assessment of SAFMR Demonstration Impacts: Contract Rent Adjustments

Type of Impact	Hypothesized Impacts	Observed Impacts	Magnitude of Observed Impacts (Preliminary)
Transitional.	SAFMR payment standards may cause a change in behavior of current landlords and increase the number of requests for rent adjustments or protract the setting process. Landlords who have not regularly requested rent adjustments, because they knew any additional increase would be borne by the tenant, may request in greater numbers in areas where the payment standard goes up.	SAFMRs increased requests for rent adjustments for most PHAs, especially in areas where payment standards increased.	Moderate.

SAFMR = Small Area Fair Market Rent.

Inspection System and Process Changes

SAFMR impacts on unit inspections were moderate. The inspection process required no changes; however, units in neighborhoods that had previously been difficult for HCV holders to access became more geographically dispersed in most PHA jurisdictions, which required inspectors to travel longer distances. In addition, as HCV holders responded to higher payment standards and searched for units in higher-cost neighborhoods, the number of inspections increased. Dallas, the largest PHA, hired two new inspectors to compensate for longer travel times. Chattanooga hired a part-time inspector to work on a contract basis for the same reason. Exhibit 6-8 presents our assessment of the impact of SAFMRs on inspection systems and processes.

Exhibit 6-8: Preliminary Assessment of SAFMR Demonstration Impacts: Inspection System and Process Changes

Type of Impact	Hypothesized Impacts	Observed Impacts	Magnitude of Observed Impacts (Preliminary)
Transitional, ongoing.	If housing choice voucher holders become more dispersed, this increase in areas where voucher holders live may have an effect on inspector productivity and increase travel costs. In some locations, inspectors are part of the rent reasonableness process. Inspectors will need to become familiar with housing stock and rents in additional areas.	No necessary changes to process. More need for inspections as the number of moves increased; more geographically dispersed units also meant longer travel times for inspectors.	Moderate.

SAFMR = Small Area Fair Market Rent.

Procedures and Staff Training

Most PHAs conducted formal or informal staff training about the demonstration, impact letters sent to tenants, and new payment standards. Some PHAs reported that training was considerable. For others, it was minimal, taking place during regular team meetings or on the job. Exhibit 6-9 presents our assessment of the impact of SAFMRs on PHA procedures and staff training.

Exhibit 6-9: Preliminary Assessment of SAFMR Demonstration Impacts: Procedures and Staff Training

Type of Impact	Hypothesized Impacts	Observed Impacts	Magnitude of Observed Impacts (Preliminary)
Transitional.	Will require development of detailed procedures and policies, as well as training and retraining of staff at all levels. Experience with the program will both enable and require the PHA to make improvements in procedures and training over time. The end of the 2-year *hold harmless* period will eventually reduce the need for manual selection of payment standards.	Some retraining needed.	Moderate.

PHA = public housing agency. SAFMR = Small Area Fair Market Rent.

Education and Support for Tenants

With two exceptions, PHAs did not increase the search assistance provided to HCV holders in response to the demonstration. As part of normal course of operations, all the SAFMR PHAs provide at least limited search assistance, such as maintaining lists of available units on their websites or referring HCV holders to online rental listing services. Four of the seven PHAs provided more extensive search assistance or mobility counseling to HCV holders than the basic required level of support, even before adoption of SAFMRs. PHAs with no additional search assistance or mobility counseling report that this lack of additional assistance is because their operating budgets are not able to fund it. PHAs that do offer additional search assistance sometimes obtain funding from external sources. Exhibit 6-10 presents our assessment of the impact of SAFMRs on education and support for tenants.

Exhibit 6-10: Preliminary Assessment of SAFMR Demonstration Impacts: Education and Support for Tenants

Type of Impact	Hypothesized Impacts	Observed Impacts	Magnitude of Observed Impacts (Preliminary)
Transitional, ongoing.	Unless a PHA has already administered a mobility program, the associated level of effort encouraging and assisting households to consider moving to high-opportunity areas is likely to increase. Current program participants living in areas where payment standards decrease will need additional staff attention in understanding both the timing and the impact of payment standard reductions on individual situations. Some PHAs do not hold in-person briefings for current housing choice voucher participants who move (movers). With SAFMR, PHAs likely will have to schedule additional briefings.	With two exceptions, PHAs have not increased efforts to encourage or assist households to move.	Minor.

PHA = public housing agency. SAFMR = Small Area Fair Market Rent.

Cook County was one of the two PHAs that expanded search assistance in response to the demonstration. Cook County staff reported perceiving SAFMRs as key to the PHA's efforts to provide successful mobility counseling. Although Cook County has had some form of a mobility program for a number of years, staff reported believing the success of the program was limited by low payment standards under metropolitan area FMRs relative to market rents in higher-opportunity neighborhoods. Staff describe previous mobility counseling efforts as reactive to tenants interested in moving to higher-opportunity neighborhoods. Its expanded mobility program will have the capability to proactively encourage tenants to move.

Directly related to the introduction of SAFMRs and the ability to more closely approximate market rents in higher-cost neighborhoods, Cook County began providing mobility counseling targeting five different groups, adapting its approach to the needs and interests of each group—serial movers (those who moved in each of the past 3 years, to focus on family stability), those living in high-poverty areas, Family Self Sufficiency families, families on the waiting list, and people issued vouchers to move but stayed in place. Cook County aims to assist 140 households with moves to higher-opportunity neighborhoods over the next year (2016–2017). The PHA funds its mobility counseling using HCV administrative fees.

A second PHA, Long Beach, also added mobility counseling services to help HCV holders search in higher-opportunity areas. The primary source of information for HCV holders searching for units had traditionally been the GoSection8 website, but Long Beach added mobility counseling in 2016 in response to declining numbers of landlords listing properties on the website. PHA staff believe this decline is because the PHA's payment standards are low relative to the market. Long Beach offers small-group mobility counseling to HCV holders when their voucher search time nears expiration or has been extended. The counseling is an added responsibility for the deputy executive director, with no new staff hired to perform this function.

Chattanooga and Dallas are other PHAs where tenants receive more than basic search assistance (both before and after adoption of SAFMRs). Chattanooga has a *housing navigator* who establishes relationships with landlords (some of whom have waived application fees and security deposits to make it easier for families to lease up), meets with tenants, and negotiates rent on behalf of housing choice voucher holders when needed. In part, a grant from the Maclellan Foundation funded the position, beginning in 2015, to address the needs of homeless and HCV holders with disabilities who were unable to find suitable housing without assistance. The housing navigator also lists units available to HCV holders on Chattanooga's website. The position was not created in response to SAFMRs but may be useful to HCV holders interested in moving to higher-opportunity neighborhoods.

The Dallas PHA reported that it does not provide housing search and related assistance for HCV holders moving to higher-opportunity areas, because outside housing counseling agencies provide this service. The three remaining PHAs provide only limited search assistance to HCV holders, and the level of assistance did not change either with SAFMR implementation or in response to declining payment standards in some areas. For example, Laredo provides HCV holders with lists of landlords. Mamaroneck conducts new tenant briefings, during which they provide lists of landlords. Plano lists rental units on its website.

PHAs generally did not provide financial assistance to tenants as part of the SAFMR demonstration. In Cook County, however, households moving to high-opportunity areas received up to $500 in assistance to cover security deposits. This amount increased to $1,000 in July 2016 as part of Cook County's new mobility counseling program. No other PHA provided financial assistance to voucher holders as part of the SAFMR demonstration. Mamaroneck has a long-standing policy of providing HCV holders financial assistance with security deposits through the Westchester County Department of Social Services. This policy did not change with the demonstration.

Education and Support for Landlords

PHAs made efforts to recruit new landlords and educate current landlords, especially among PHAs where HCV holders struggle to find units. PHA efforts to support landlords include letters or outreach to inform them about the demonstration and updated information on PHA websites. One PHA created a property owners lease-up guide to explain the overall HCV program and provide SAFMR demonstration information. Several PHAs said they hold regular forums, meetings, or fairs with landlords where they discuss the SAFMR demonstration. Other PHAs held meetings specifically to explain the demonstration or to orient new landlords. Two PHAs held meetings in high-opportunity areas in an effort to recruit new landlords. One PHA met with rental agents to explain the demonstration. Another PHA temporarily hired a real estate agent at the beginning of the demonstration to recruit new landlords. One PHA lost funding for one of its two landlord recruiter positions as a result of sequestration and has not been able to refund the position. Exhibit 6-11 presents our assessment of the impact of SAFMRs on PHAs education and support for landlords.

Exhibit 6-11: Preliminary Assessment of SAFMR Demonstration Impacts: Education and Support for Landlords

Type of Impact	Hypothesized Impacts	Observed Impacts	Magnitude of Observed Impacts (Preliminary)
Transitional, ongoing.	Landlords currently participating in the Housing Choice Voucher program will require more education to understand impact on current tenants. Landlord behaviors and questions will be different depending on whether payment standards decrease or increase. New landlords in high-opportunity areas initially may require higher levels of attention until they become familiar with the SAFMR program.	Minor landlord education.	Minor.

SAFMR = Small Area Fair Market Rent.

In Long Beach, where the demonstration caused a decline in the number of units affordable to HCV holders, the PHA made extensive efforts to educate existing landlords and recruit new landlords. They sent letters to landlords and held monthly landlord meetings, as well as held events for landlords in high-opportunity areas, created an infomercial for its website, advertised with real estate and apartment association magazines, and held new owner orientations.

Quality Assurance

Most PHAs reported that, initially, on adoption of SAFMRs, the incidence of errors made by staff related to selecting the correct payment standards increased. The reported frequency of errors declined over time as staff learned new systems and processes. Exhibit 6-12 presents our assessment of the impact of SAFMRs on quality assurance.

Exhibit 6-12: Preliminary Assessment of SAFMR Demonstration Impacts: Quality Assurance

Type of Impact	Hypothesized Impacts	Observed Impacts	Magnitude of Observed Impacts (Preliminary)
Ongoing.	HUD-50058 errors based on selection of the wrong payment standard are not unusual even with area-wide FMRs. When selecting the payment standard, staff may confuse the voucher size for which the family qualifies and the unit size the family selects. Staff may also need to select among multiple payment standard schedules when processing a dated or retroactive transaction. SAFMRs increase this risk and will require vigilant quality assurance processes.	Five of seven public housing agencies reported short-term increases in quality assurance efforts.	Minor.

FMR = Fair Market Rent. SAFMR = Small Area Fair Market Rent.

With many more payment standards and a 2-year adjustment period for tenants in ZIP Codes where payment standards declined, five PHAs reported that the number of errors initially increased. Mamaroneck reported no increase in errors, although an initial effort was made to increase data quality checks. One PHA did not have information about error rates.

As a result of increases in errors, most PHAs increased their quality assurance efforts (for example, by doubling the number of files reviewed for accuracy), although the increase in the overall level of effort was modest. The largest reported effort was about 5 hours per month.

Voucher Success Rates

Changes in the share of HCV holders who successfully use HCVs to lease a unit (success rates) can affect both the wellbeing of HCV holders and the administrative workload of PHAs, who need to issue more vouchers to utilize the same amount of funds if success rates decline. Most PHAs could not provide data on voucher success rates during Phase 1 site visits, but to the extent possible, we plan to probe this issue further, as well as the related issue of whether SAFMRs seem to have affected the ability of PHAs to fully use all available HCV units and funds (the HCV utilization rates for units and funds) in Phase 2 of this research. Because the number of units under lease affects the amount of administrative fees earned by a PHA, the HCV unit utilization rate also has implications for both low-income families and PHAs.

As noted previously, both the hypothesized and actual effects of SAFMR on voucher success rates are ambiguous. If landlords in high-opportunity ZIP Codes are reluctant to rent to HCV holders, SAFMRs could reduce success rates. On the other hand, if SAFMRs successfully increase access to high-opportunity ZIP Codes to HCV holders, voucher success rates could increase.

As expected, PHA-reported impacts of SAFMRs on voucher success rates are mixed. Chattanooga reported that SAFMRs affected voucher success rates and utilization positively because of improved access to high-rent ZIP Codes. Most PHAs believed that SAFMRs were a factor in voucher success rates, but other factors were far more important. For example, Cook County and Mamaroneck did not see an impact from SAFMRs but believed that legislation banning discrimination on the basis of source of income improved voucher success rates substantially. Laredo, Long Beach, and Plano could not isolate the impact of SAFMRs from other factors they saw as being more important, such as overall changes in the rental housing market including vacancy rates and gentrification. Likewise, Dallas reported that overall market conditions determined the success rate, not SAFMRs. Chattanooga reported that SAFMRs affected voucher success rates and utilization positively because of the improved access to high-rent ZIP Codes.

We will examine utilization rates further in Phase 2 and further examine success rates to the extent data are available.

Adequacy of Supplemental Administrative Fees

Recognizing that PHAs implementing SAFMRs incur costs to transition from metropolitan area FMRs to SAFMRs, HUD provided supplemental administrative fees based on the fees incurred during the implementation of SAFMRs in Dallas. The increase varied by the number of HCVs administered by the public housing agency, up to a maximum of $300,000 for the five demonstration PHAs (Kahn and Newton, 2013). The additional administrative fees were anticipated to cover additional expenses such as upgrading computer software used to administer the HCV program, additional outreach and briefings for families and landlords on the Small Area Fair Market

Rents, assistance with relocation issues resulting from SAFMRs, changes to rent reasonableness determinations, additional training and hiring of staff, and other necessary expenses.

We hypothesized that SAFMR implementation would have two potential financial impacts on PHAs—changes in HAP costs could affect the number of vouchers PHAs can issue (discussed in chapter 6) and implementation could have direct costs. PHAs identified a third cost. If HAP costs increase, the corresponding decline in the number of vouchers a PHA can issue could affect the PHA's administrative fee earnings. That is, HUD pays administrative fees based on the number of units leased in a given month, therefore overall administrative fees could decline if changes in HAP expenditures resulted in fewer families being assisted.

PHAs were fairly evenly split in reporting whether the additional administrative fees HUD provided were sufficient to cover the expense involved in implementing and administering SAFMRs. Although some PHAs reported that the additional administrative fee provided did cover the up-front costs, ongoing costs may exist that will not be covered once the demonstration terminates. For example, one PHA hired a contract inspector to handle the overflow work arising when units are more geographically dispersed, resulting in longer travel times. This expense is expected to be ongoing, but the additional administrative fee is not.

Estimate of Financial Impacts of SAFMR Impacts on PHAs

The previous section described the steps PHAs took to implement SAFMRs and the types of impacts experienced. This section estimates the magnitude of these impacts in terms of staff hours or out-of-pocket expenses. During site visits, we attempted to collect data to estimate the financial impacts on the SAFMR PHAs. Each PHA collected and maintained information in widely varying ways, therefore we were not able to systematically sum and compare financial impacts across sites. The information presented below provides the range of financial impacts.

In some cases, no financial expenditures existed, because staff worked on implementation either in small increments over time or in place of other responsibilities. These nonfinancial impacts are also described. The information available was not generally detailed, so these findings should be considered rough guides. Because of staff turnover, Laredo was unable to provide any information about financial impacts, therefore we exclude that PHA here.

We summarize the main findings in the following bullets, followed by more detailed descriptions and charts comparing costs in terms of financial expenditures and staff effort to implement SAFMRs across the PHAs.

Despite changes in the administration of the program, few PHAs reported updating administrative plans as a result of switching to SAFMRs. Every PHA is required to maintain an administrative plan for the HCV program. These plans typically contain language related establishing payment standards, determining rent reasonableness and tenant payments, and encouraging participation by owners outside of poverty or minority concentration areas. Some PHA administrative plans also include extensive procedural documentation. Only three PHAs reported updating their administrative plans. Dallas's updates included adding substantial guidance on how to conduct briefings and conduct reexaminations. Plano also updated its administrative plan to reflect the payment standards in effect. The remaining demonstration site PHAs reported no other substantial changes. Exhibit 6-13 describes the administrative resources that PHAs used to modify PHA plans and administrative plans to implement SAFMRs.

Exhibit 6-13: Administrative Impacts of SAFMRs on PHAs on PHA Plan and Administrative Plan Changes

PHA					
Chattanooga	**Cook County**	**Dallas**	**Long Beach**	**Mamaroneck**	**Plano**
Director—1 hour.	No change.	VP, President, and CEO—80 hours PHA administrative plan, 80 hours for PHA plan.	Minimal—time not recorded.	Administrator—5-10 hours; Administrator—2 hours.	Finance director—24 hours administrative plan, 2 hours for PHA plan.

CEO = chief executive officer. PHA = public housing agency. SAFMR = Small Area Fair Market Rent. VP = vice president.

Modifications to automated systems were the largest one-time cost incurred by most PHAs. Payment standards are generally embedded in a PHA's system of record, and thus, the switch to SAFMRs often required updates to the PHA's software. The extent of the cost depended on the PHA's automated system and whether or not significant changes were required to accommodate multiple payment standards for the same unit size. Estimated expenditures to update systems of record ranged from $0 to $35,000 per PHA, generally paid to information technology consultants or software vendors, in addition to required staff effort.

Dallas and Plano incurred the highest cost and staff effort to update their automated systems. Dallas required updates to two automated systems——the system of record and an automated tool to calculate affordability based on ZIP Code. Dallas estimated that software updates required 250 hours of staff time from the software vendor and the PHA's information technology director and CFO in addition to payment to the software vendor for changes.[34] Plano similarly reported spending about 120 hours of the finance director's time to update the system of record to accommodate 160 payment standards (as of 2016) rather than the one payment standard used under metropolitan area Fair Market Rents. Plano's finance director also spent about 3 to 4 hours updating the rent reasonableness software and about 10 hours updating the website.

Chattanooga reported 40 hours of staff time from an information technology software specialist who updated the software that pulls the proper payment standards, plus $900 in expenditures. Although the PHA went from 1 to 35 payment standards in the first year of SAFMR implementation, its rent reasonableness system required only minor updates to change the search criteria to pull comparable units within the same ZIP Code.

Long Beach and Mamaroneck also reported that their systems of record needed modifications to add additional payment standards under SAFMRs, but these costs tended to be less than in Chattanooga, Dallas, and Plano. Because Long Beach's software already allowed for multiple FMRs, system of record software updates incurred no significant costs. Long Beach, however, incurred a cost of an unknown amount to update GoSection8, its rent reasonableness tool, as well as a property listings database, requiring the upload of all payment standards, which increased from 1 to 12 under SAFMRs, to facilitate rent reasonableness and affordability

[34] PHA staff documented changes to the software, tested the changes to the software, and did data entry to reflect the increased number of jurisdictions.

determinations. Long Beach also needed to update its affordability worksheet the staff uses. This update was a one-time cost of about 16 hours of staff time by the community program specialist.

Mamaroneck also required updates to the system of record software to accommodate multiple payment standards. This cost was estimated at about $400 in vendor charges and required 6 hours of staff time to communicate needs to the software vendor. Mamaroneck hired an intern to conduct market research and update the rent reasonableness database, which is a manual process. This ongoing effort sums to about 7 hours a week (5 hours for an intern, 2 hours for the executive director). Cook County was the only PHA not reporting an automated system update cost, because it uses a large spreadsheet instead. Exhibit 6-14 describes the administrative resources that PHAs used to modify automated systems to implement SAFMRs.

Exhibit 6-14: Administrative Impacts of SAMFRs on PHAs on Modifications to Automated Systems

PHA					
Chattanooga	**Cook County**	**Dallas**	**Long Beach**	**Mamaroneck**	**Plano**
IT specialist—40 hours/$900.	No change.	Software vendor + IT director + CFO—250 hours/$35,000 to software vendor.	GoSection8 system changes for rent reasonableness.	$400 to software vendor + 6 ED; 40 hours for automated spreadsheet.	Office supplies, postage, software modifications $10,705; finance director—124 hours.

CFO = chief financial officer. ED = executive director. IT = information technology. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.

The cost of setting payment standards under SAFMRs varied depending on the amount of time PHAs spent adjusting HUD-issued FMRs. PHAs use payment standards to determine maximum amounts to pay HCV-participating landlords for a housing units depending on size and location. HUD issues FMRs in August of each year. PHAs have discretion to set their payment standards between 90 and 110 percent of the FMR without HUD approval. PHAs may choose to vary payment standards from the FMR to decrease the rent burden on HCV tenants, increase the subsidy amount to increase the ability of HCV holders to access high-opportunity areas, or make it easier for HCV holders to successfully use vouchers. Many of the demonstration PHAs used this discretion to vary payment standards within 90 and 110 percent of the SAFMR when determining payment standards, often to reduce the potential negative impacts of the demonstration on landlords and tenants and on the PHA.

Plano set its payment standards at 100 percent of HUD's published SAFMRs. As a result, some costs arose in updating materials to accommodate the new and more numerous payment standards. The amount of time and effort required to set payment standards was minimal. Likewise, Long Beach initially kept all payment standards at 100 percent of SAFMR based on the assumption that ZIP Code-level SAFMRs closely approximated the market. In April 2015, Long Beach increased all payment standards to 110 percent of the SAFMR. The decision to increase payment standards was the result of the PHA's analysis of rent burden and rent reasonableness for tenants in both high-opportunity and low-opportunity areas, indicating that payments standards set at 100 percent of SAFMR were below market, and therefore, requiring a change.

Chattanooga, Cook County, Dallas, and Mamaroneck conducted additional analyses before setting payment standards under the demonstration. Each reported this process to be more time consuming than the process used before the demonstration. Each year, Chattanooga analyzes HUD-provided FMRs to determine which areas experienced increases and decreases to payment standards to calculate the number of households affected if payment standards were set at 100 percent of SAFMR. To date, this analysis is an ongoing cost of about 40 hours of the director's time.

Dallas spent a significant amount of time considering new payment standards during the initial implementation of SAFMRs. This significant amount of time is due to Dallas having a large number of ZIP Codes in its jurisdiction and SAFMRs being imposed on Dallas, creating an additional burden to a PHA that had altered its operation of the HCV program to meet obligations under a 20-year racial discrimination suit (*Walker* v. *HUD*). Ultimately, Dallas decided to use each ZIP Code's SAFMR as its payment standard, rather than consolidate ZIP Codes into groups. The analysis conducted by Dallas required about 120 staff hours from the HCV program vice president, the chief financial officer, the chief operating officer, and the president and CEO of the PHA.

Initially, Mamaroneck did not set payment standards for all ZIP Codes within its jurisdiction, rather focused only on setting payment standards in areas where HCV tenants lived. As tenants moved into new areas, staff added payment standards for the new ZIP Codes. Mamaroneck also analyzed the HUD-provided SAFMRs by ZIP Code to determine whether payment standards should be set at 90 percent, 100 percent, or 110 percent. Prior to SAFMRs, Mamaroneck set most rents at 110 percent of FMR. Exhibit 6-15 describes the administrative resources that PHAs used to analyze and set payment standards to implement SAFMRs.

Exhibit 6-15: Administrative Impacts of SAFMRs on PHAs on Analyzing and Setting Payment Standards

PHA					
Chattanooga	**Cook County**	**Dallas**	**Long Beach**	**Mamaroneck**	**Plano**
Director—40 hours to date.	Created or updated ZIP Code and payment standards spreadsheets—100 hours to date.	VP-HCV, CFO, COO, president/CEO, 120 hours.	Community program specialist—15 to 16 hours for affordability spreadsheet.	Director—40 hours initially; 10 hours to update annually.	All staff—1 hour.

CEO = chief executive officer. CFO = chief financial officer. COO = chief operating officer. PHA = public housing agency. SAFMR = Small Area Fair Market Rent. VP-HCV = vice president of Housing Choice Voucher program.

Costs to determine rent reasonableness varied across PHAs depending on whether PHA's rent reasonableness systems required staff labor. Regardless of FMR or payment standards, it is the responsibility of each PHA to verify that rents are reasonable relative to comparable units. Individual PHAs take different approaches in finding comparable units. Most use databases or websites to find comparable units. Some PHAs manually populate databases, and others are more automated. PHAs that manually populated rent reasonableness databases had higher ongoing costs when the number of payment standards increased. PHAs that were strict in verifying rent reasonableness prior to the SAFMR demonstration minimized the impacts of

SAFMRs in some ways. That is, fewer units were likely to face reduced rents in areas with declining payment standards if the PHA had already established that it was paying the reasonable rent and the approved rent was below the new SAFMR payment standard.

Chattanooga and Plano use fully automated systems to determine rent reasonableness, therefore no ongoing costs are associated with rent reasonableness determinations in these PHAs outside of any one-time costs to update the software or search criteria. Cook County has not changed its process to determine rent reasonableness as a result of SAFMRs, so no additional costs have incurred. It continues to use a housing listing website that collects data that landlords input.

Long Beach reported only a one-time cost to determine rent reasonableness under SAFMRs. Regulation required Long Beach to complete new rent reasonableness determinations, because SAFMRs led to a decrease in the applicable payment standard of more than 5 percent. This new determination in rent reasonableness, in turn, resulted in Long Beach informing HCV landlords to decrease rents. Some landlords accepted lower rents, but many did not. The SAFMR decrease and the resulting rent renegotiations required the PHA to nearly double the number of rent reasonableness determinations from 1,886 units to 3,349 units.

Dallas reported that additional costs related to extra office support and overtime incurred since the implementation of SAFMRs. Despite these costs, staff reported that rent reasonableness determinations are easier now under SAFMRs, because it is easier to find comparable properties in high-opportunity areas.

Mamaroneck incurred one-time and ongoing costs associated with doing market research and creating a rent reasonableness database. Initially, staff populated the rent reasonableness database with property listings for every unit size and ZIP Code, which previously was needed only for the one payment standard. Mamaroneck populates its rent reasonableness database with data it gathers from surveys it administers to landlords participating in HCV, as well as nonparticipating landlords. As a result, constant updates to the database are needed. Additionally, the PHA does market research in an area every time a participant searches for a new apartment. As noted previously, database updates require an ongoing effort of about 7 hours a week. Mamaroneck did not have the capacity to take on this additional work, so it hired an intern to help with updates. Mamaroneck created the database to store comparable rents after the demonstration began; however, the switch to SAFMRs did not directly require it. Previously, Mamaroneck collected comparable units from rental advertisements in the newspaper and stored them in tenants' files each year. The creation of a database represents a technological advancement for the PHA more than a direct cost incurred because of the demonstration. Exhibit 6-16 describes the administrative resources that PHAs used to determine rent reasonableness to implement SAFMRs.

Exhibit 6-16: Administrative Impacts of SAFMRs on PHAs on Rent Reasonableness

PHA					
Chattanooga	**Cook County**	**Dallas**	**Long Beach**	**Mamaroneck**	**Plano**
No change.	No change.	Additional office support and overtime.	No change.	7 hours per week.	No change.

PHA = public housing agency. SAFMR = Small Area Fair Market Rent.

The number of requests for contract rent adjustments increased as a result of SAFMRs. Responding to these requests is an ongoing cost for most PHAs. Contract rents represent the combined amount of rent that HCV tenants pay and the amount of rent the PHA pays by voucher. HCV landlords may seek a contract rent adjustment for a number of reasons, one being an increase in payment standards. In areas where payment standards have gone up, landlords who initially made rent concessions to accommodate specific tenants may be motivated to request contract rent adjustments if they believe the PHA will absorb increased costs.[35] Similarly, landlords in areas that have not requested rent adjustments on a regular basis (because they knew additional increases would be borne by tenants) may be more likely to request rent adjustments if costs will not be borne by tenants.

Under the demonstration, many landlords requested contract rent adjustments when payment standards increased under SAFMRs, because allowable assistance payments were higher. Chattanooga, Cook County, Laredo, Long Beach, Mamaroneck, and Plano all reported increases in the number of requests for rent adjustments they attributed to the implementation of SAFMRs. Chattanooga reported the greatest impact, stating that it now requires an estimated 192 hours of the director's time annually to respond to increased requests. Most PHAs report that the increase in requests for contract rent adjustments was temporary. We will examine whether this increase was also temporary for Chattanooga during the Phase 2 site visit. Exhibit 6-17 describes the administrative resources that PHAs used to make contract rent adjustments to implement SAFMRs.

Exhibit 6-17: Administrative Impacts of SAFMRs on PHAs on Contract Rent Adjustments

PHA					
Chattanooga	**Cook County**	**Dallas**	**Long Beach**	**Mamaroneck**	**Plano**
Director—192 hours annually to respond to increase in requests.	No change.	Additional overtime, landlord services.	No change.	None named.	Slight increase during change in standards.

PHA = public housing agency. SAFMR = Small Area Fair Market Rent.

The communication strategy adopted by PHAs for landlord and tenant education involved moderate, one-time, ongoing costs. PHAs regularly conduct briefings to inform HCV tenants and landlords about the HCV program. All PHAs had to update materials they provide landlords and tenants, as well as content on PHAs' websites to reflect SAFMRs. Many PHAs found that these updates required only limited effort. In Long Beach, these updates to materials and PHA's website were the only changes to the PHA's communication strategy and reflected about 16 hours of the community program specialist's time. Plano similarly updated its communication and outreach strategy to include updated materials and reported a one-time estimated cost of $750 for this effort. Cook County and Mamaroneck similarly did not report any other changes—other than website updates for the latter—but neither could provide cost estimates for updating briefing materials.

[35] Note that landlords should only request contract rent adjustments if they believe their units are worth more on the market, but other factors probably play a role in contract rent adjustment requests.

In addition to updating briefing materials, Chattanooga began holding monthly meetings for landlords. They reported monthly meetings as an ongoing annual cost of approximately $500. In response to the increasing numbers of families requesting to relocate, Dallas increased the number of relocation briefings held each month for tenants. Dallas reported an initial estimated cost of $55,000 and an ongoing estimated cost of $10,000 a year for these activities. Exhibit 6-18 describes the administrative resources that PHAs used to modify communication strategies to implement SAFMRs.

Exhibit 6-18: Administrative Impacts of SAFMRs on PHAs on Communication Strategy

PHA					
Chattanooga	**Cook County**	**Dallas**	**Long Beach**	**Mamaroneck**	**Plano**
Monthly landlord and tenant briefings present an increase.	None reported.	New client and landlord guide.	No change.	Minimal additions to the website and forms.	Finance director—10 hours.

PHA = public housing agency. SAFMR = Small Area Fair Market Rent.

Impacts on Landlords

We would expect to find that landlords' interest in and awareness of the HCV program to be affected by the implementation of SAFMRs. We would similarly expect that higher payment standards in high-cost ZIP Codes to attract landlord interest, whereas lower payment standards in low-cost ZIP Codes could discourage engagement with the program. We have not yet spoken with landlords, but we did speak with PHAs that reported this outcome was typically the case. These results are based on secondhand reports, and therefore, are considered preliminary. During the second round of site visits (Phase 2), we will interview landlords directly to learn whether they are aware of the change in the HCV program and whether this change affects both their willingness to rent to HCV holders and the level at which they set rents.

Some PHAs also reported that the competition with HCV holders for units in high-rent areas differed. In low-rent neighborhoods, early indications are that many applicants for units were HCV holders or low-income households without vouchers, so that HCV holders are attractive to landlords as tenants. In higher-opportunity neighborhoods, PHAs report that HCV holders are competing with market-rate households with higher incomes, and that landlords prefer to rent to the higher-income households.

Again, the main findings are summarized in the bullets below, followed by more detailed descriptions.

With one exception, PHAs conducted only limited landlord outreach with the implementation of SAFMRs. After introduction of the SAFMRs, PHAs generally did not make extensive additional efforts to recruit new landlords in high-opportunity areas, with the exception of Long Beach. As noted previously, Long Beach did a number of things to recruit new landlords, including sending letters, holding monthly landlord meetings and specific events for landlords in high-opportunity areas, creating an infomercial, and advertising with real estate and apartment association magazines. Several PHAs hold regular landlords briefings during the course of regular operations, and one PHA reported specifically locating these briefings in higher-opportunity neighborhoods in an effort to attract those landlords. Other PHAs reported that their landlord briefings were generally not heavily advertised to new landlords, nor were they primarily designed to help recruit new landlords to the HCV program. They were primarily intended to help landlords already in the HCV program understand program changes.

Some communication with landlords was, of course, reactive in nature. For example, some landlords have units in multiple ZIP Codes, and they approached PHAs with questions about the new differences across neighborhoods when FMRs were previously more consistent across neighborhoods. PHAs reported regularly responding to questions from landlords when SAFMRs were initially rolled out. Questions about SAFMRs are far less frequent as landlords gain experience with the new approach to setting payment standards.

Not surprisingly, landlords' responses depended on whether SAFMRs increased or decreased their units' rental value. As noted previously, some landlords were willing to accept lower rents in ZIP Codes where payment standards declined, either to assist tenants they wanted to retain or to avoid vacancies, or both. Landlords were more likely to accept rent reductions if landlord-tenant relationships were good. Sometimes, landlords who requested contract rent adjustments dropped the requests after realizing that rent increases were to be paid by tenants. Some PHAs reported that landlords seemed more likely to be willing to drop rent adjustment requests for elderly and tenants with disabilities (a practice not necessarily unique to SAFMRs). Mamaroneck reported that this occurrence was sometimes the case, as did Long Beach. PHAs reported that landlords were also more willing to accept lower rents if they believed the situation was temporary and that payment standards would rise in the future.

PHAs reported that some landlords were unwilling to accept lower rents, therefore tenant shares of rent increased to make up for declines in payment standards. Some landlords were angered by reductions in FMRs, having made previous investment decisions based on higher rents. Some landlords responded by leaving the HCV program, although this response varied by PHA, and in particular, by the extent of decreases in payment standards. Chattanooga, which had not had payment standard decreases until 2016, reported that landlords were not leaving the program because of SAFMRs, as did Mamaroneck. Other PHAs, including Dallas, Laredo, Long Beach, and Plano reported that some landlords left the program. Phase 2 follow up with PHAs will include additional data requests on or PHA estimates of the number of landlords changing program participation after the introduction of SAFMRs.

All PHAs reported that new landlords in higher-opportunity neighborhoods joined the HCV program as a result of SAFMRs. As noted previously, new legislation in Cook County and Mamaroneck prohibiting discrimination on the basis of source of income was helpful to households in those jurisdictions. In general, several PHAs made efforts to recruit new landlords.

Note that these landlord responses are secondhand reports by PHA staff members. During Phase 2 of the evaluation, we will interview landlords directly to get a better sense of their experiences with SAFMRs.

7. Fiscal Effects of Small Area Fair Market Rents on Public Housing Agencies, Housing Choice Voucher Holders, and Landlords

At least three groups are financially affected by the changes in HCV payment standards resulting from SAFMRs.

- PHAs—by changes in per-unit and total Housing Assistance Payment contract costs.
- Landlords—by new payment standards affecting program HAP contract payments they receive.
- HCV holders—by changes in the HCV holder contributions to rents resulting from new payment standards.

This chapter describes the effects of SAFMRs on payment standards and rents. This chapter starts by examining changes in average payment standards overall and separately for each PHA. This chapter then describes rent-related effects of SAFMRs on PHAs, landlords, and HCV holders.

Average Per-Unit Payment Standards

Following the change from metropolitan area FMRs to SAFMRs, each PHA must determine the level at which to set its payment standards. PHAs may simply use the SAFMR as the payment standard or may vary payment standards within 90 to 110 percent of the SAFMR in any particular ZIP Code. PHAs may then choose to keep separate payment standard zones for each ZIP Code or combine multiple ZIP Codes into a single zone in order to reduce the total number of zones with separate payment standards.

In this section, we examine the change in the average per-household payment standard between 2010 and 2015. These changes stem both from the switch from metropolitan area FMRs to SAFMRs and from discretionary decisions that PHAs make in setting payment standards under the new SAFMR regime. The average payment standard is important, because it affects both the maximum rents that HCV holders can afford and the amount of HAP subsidies that PHAs need to expend.

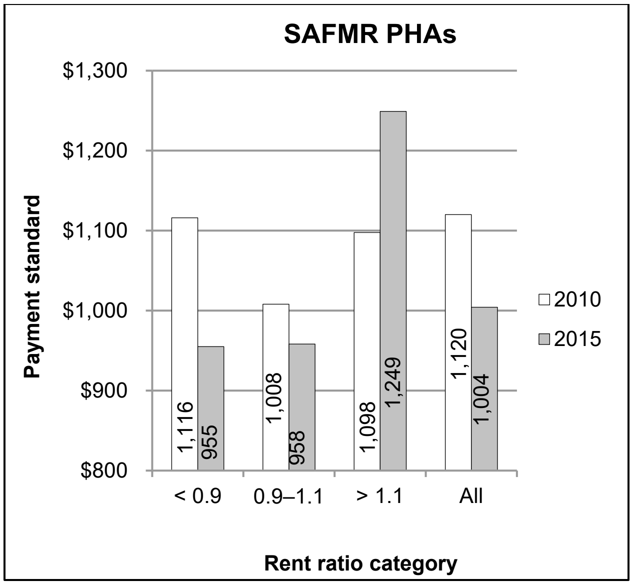
In general, the impact on average payment standards results from—

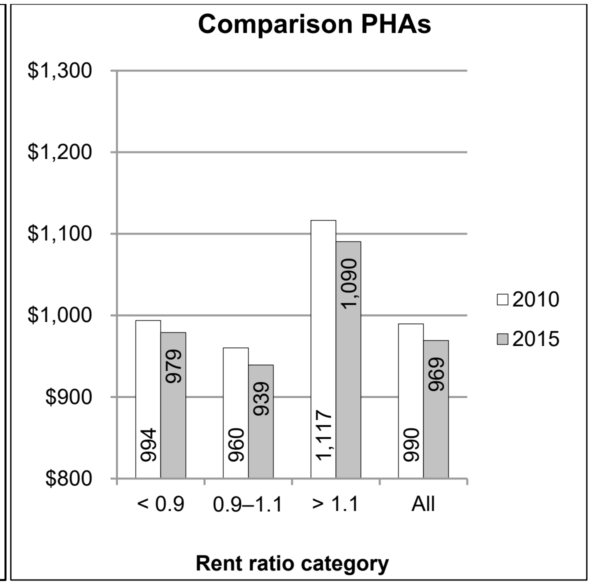
- Increases in payment standards applicable to households that live in high-rent ZIP Codes offset by decreases in payment standards applicable to households that live in low-rent ZIP Codes.

Changes in payment standards in each location and the number of households that reside in each type of location determine the net effect. In other words, average payment standards are strongly affected by SAFMRs' success in deconcentrating households from lower-cost neighborhoods.

Exhibit 7-1 compares changes over time in payment standards for both SAFMR and the 138 comparison PHAs in order to provide an apples-to-apples comparison of changes in payment standards. The exhibit shows overall changes in the average payment standard and changes in the average payment standard for units renting in particular rent categories.

Exhibit 7-1: Payment Standard by Rent Ratio SAFMR and Comparison PHAs





PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Note: All values expressed in 2015 dollars.
Sources: FY2015 Fair Market Rents; HUD FY2015 SAFMRs; HUD Public and Indian Housing Information Center administrative data

As Exhibit 7-1 shows, between 2010 and 2015, the average payment standard decreased in real terms (in 2015 dollars) by 11 percent across all rent categories combined in the SAFMR PHAs.[36] In contrast, the average payment standard decreased by about 2 percent in the comparison PHAs. A combination of a 17-percent decrease in the average payment standard of units in low-rent ZIP Codes, a 5-percent decrease in the average payment standard of units in moderate-rent ZIP Codes, and an increase of about 12 percent in the average payment standard of units in high-rent ZIP Codes drove the overall decrease in payment standards in SAFMR PHAs. The overall decrease indicates that increases in payment standards for households in high-rent neighborhoods were more than offset by lower payment standards for households in low-rent neighborhoods.

Exhibit 7-2 presents the information separately for each of the SAFMR PHAs by rent ratio, showing a similar pattern to the overall measure in Exhibit 7-1, although the magnitude of the changes varied across sites. The largest decreases in payment standards from 2010 to 2015 in low-rent ZIP Codes were in Dallas, Long Beach, Mamaroneck, and Plano. The largest increases in payment standards in high-rent ZIP Codes were in Cook County and Laredo. Mamaroneck and Plano saw minimal changes in payment standards in this high-rent ratio category during this time period, despite the switch to SAFMRs.

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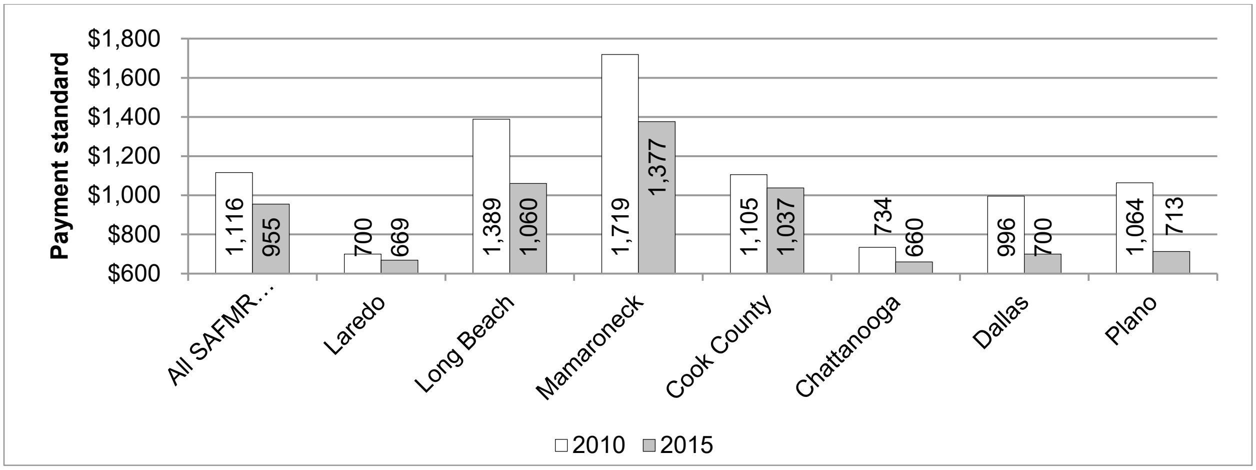
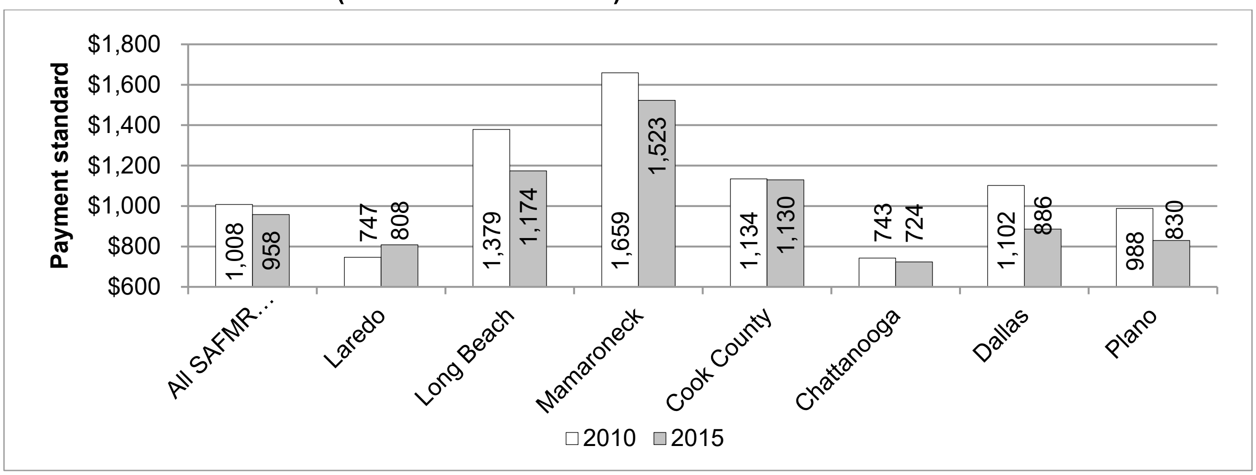
[36] All values in this chapter are expressed in 2015 dollars so that reported changes over time are changes in real terms.

Exhibit 7-2: Payment Standards by Rent Ratio by Site

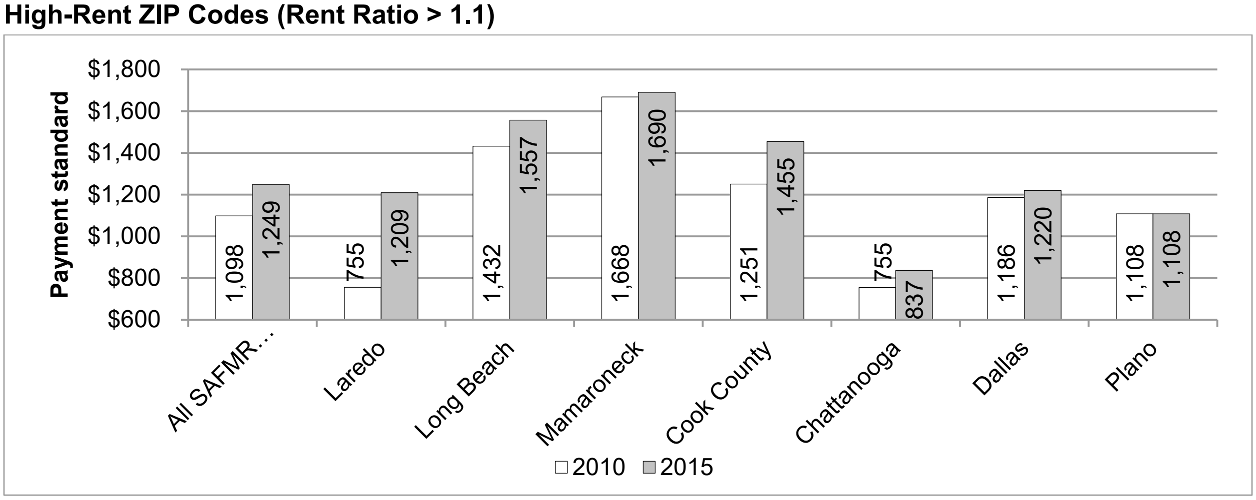
Low-Rent ZIP Codes (Rent Ratio < 0.9)



Moderate-Rent ZIP Codes (0.9 < Rent Ratio < 1.1)



High-Rent ZIP Codes (Rent Ratio > 1.1)



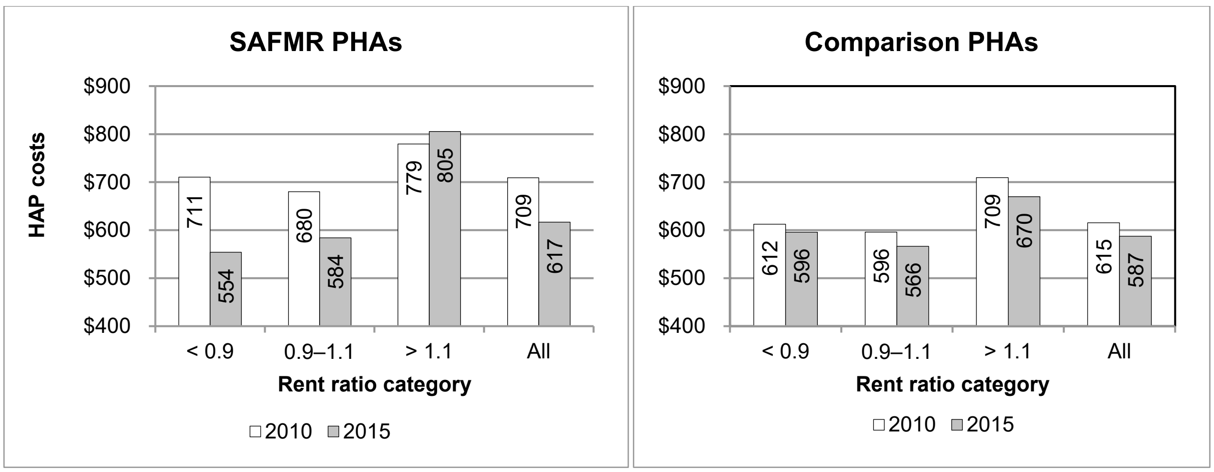
PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Note: All values expressed in 2015 dollars.
Sources: FY2015 Fair Market Rents; HUD FY2015 SAFMRs; HUD Public and Indian Housing Information Center administrative data

Rent-Related Effects of SAFMRs

PHA Effects: HAP Payments to Landlords

SAFMRs have a major impact on PHAs' HAP payments to landlords. Exhibit 7-3 shows HAP costs incurred by PHAs. In 2010, HAP costs across SAFMR PHAs averaged $709 per unit (in 2015 dollars) and $617 in 2015 for an average decrease of 13 percent. In contrast, the average HAP decreased from $615 to $587, a decline of about 5 percent, in the comparison PHAs. Note that HAP costs can change for reasons other than changes in rents and payment standards. For example, increases in HCV holder incomes and decreases in the applicable utility allowance can lead to increases in HCV holder contributions to rent that result in decreases in HAP payments by PHAs to landlords.

Exhibit 7-3: HAP Costs for SAFMR and Comparison PHAs by Rent Ratio



HAP = Housing Assistance Payment. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Note: All values in 2015 dollars.
Sources: FY2015 Fair Market Rents; HUD FY2015 SAFMRs; HUD Public and Indian Housing Information Center administrative data

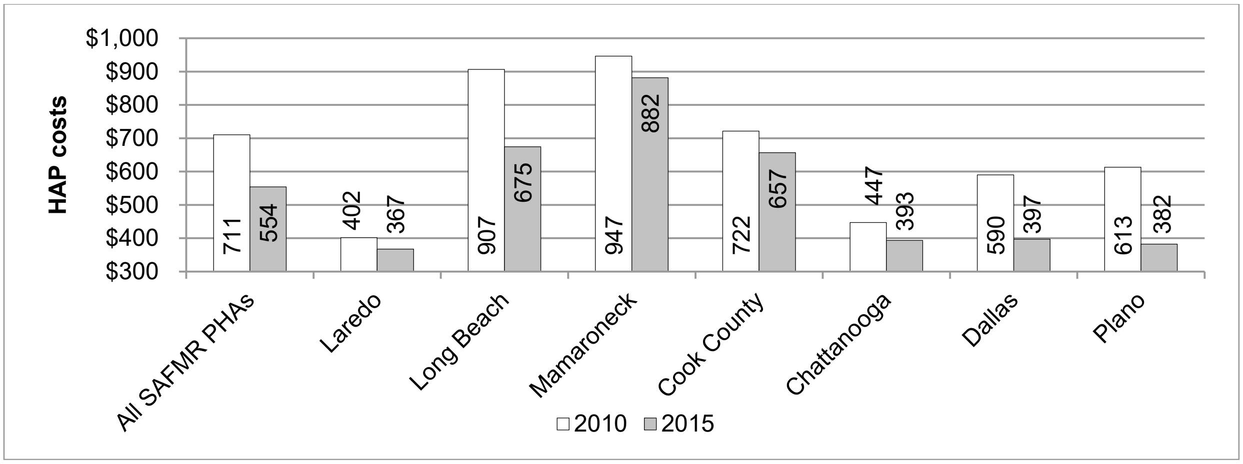
In the SAFMR PHAs, average per-unit HAP costs decreased by nearly 30 percent in low-rent ZIP Codes and increased by about 3 percent in high-rent ZIP Codes. In the comparison PHAs, the changes in HAP payments were similar across rent categories, declining by 3 percent in the low-rent ZIP Codes and by 6 percent in the high-rent ZIP Codes.

Exhibit 7-4 shows changes across sites. As expected, the change in HAP costs follows the same pattern as the change in payment standards. Average per-unit HAP payments in lower-rent ZIP Codes saw the largest decreases in Dallas, Long Beach, and Plano. Average per-unit HAP payments in high-rent ZIP Codes saw the largest increases in Laredo and Cook County. In Dallas and Plano, the average HAP in the high-rent ZIP Codes actually decreased, reflecting the fact that the payment standard in these ZIP Codes in Dallas increased only modestly and in Plano, did not increase at all between 2010 and 2015.

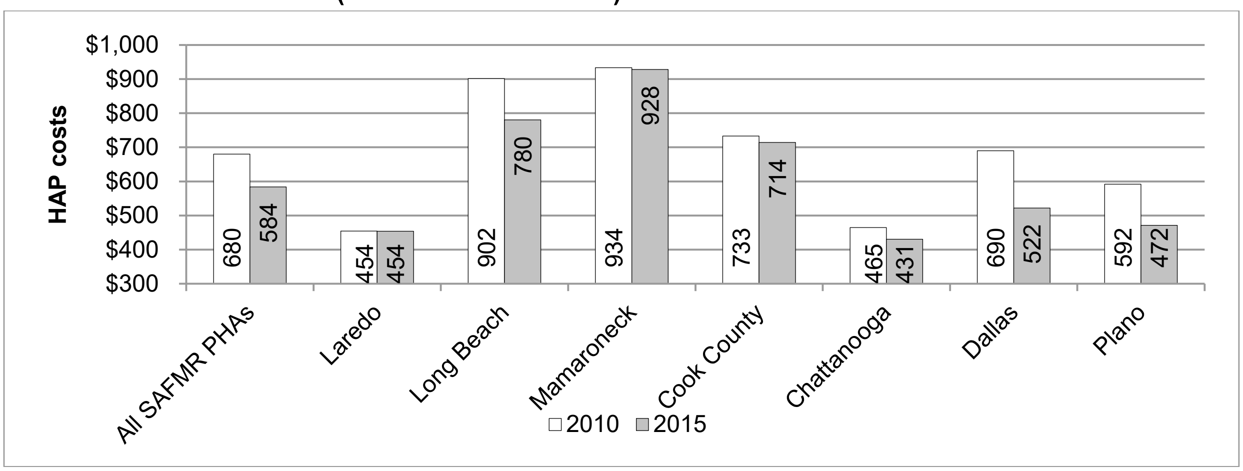
Changes in HAP are not linearly related to changes in payment standards. Among SAFMR PHAs, HAP increases only 3 percent, although average per-unit payment standards increased by 13 percent in higher-cost ZIP Codes. In other words, among SAFMR PHAs, increases in HAP in high-rent ZIP Codes are small relative to increases in payment standards. This disparity may be because once payment standards increase, it takes time for landlords to request rent increases (and for PHAs to approve the requests) or because some rents are already reasonable below both the old and new payment standard.

Exhibit 7-4: HAP Costs by Site

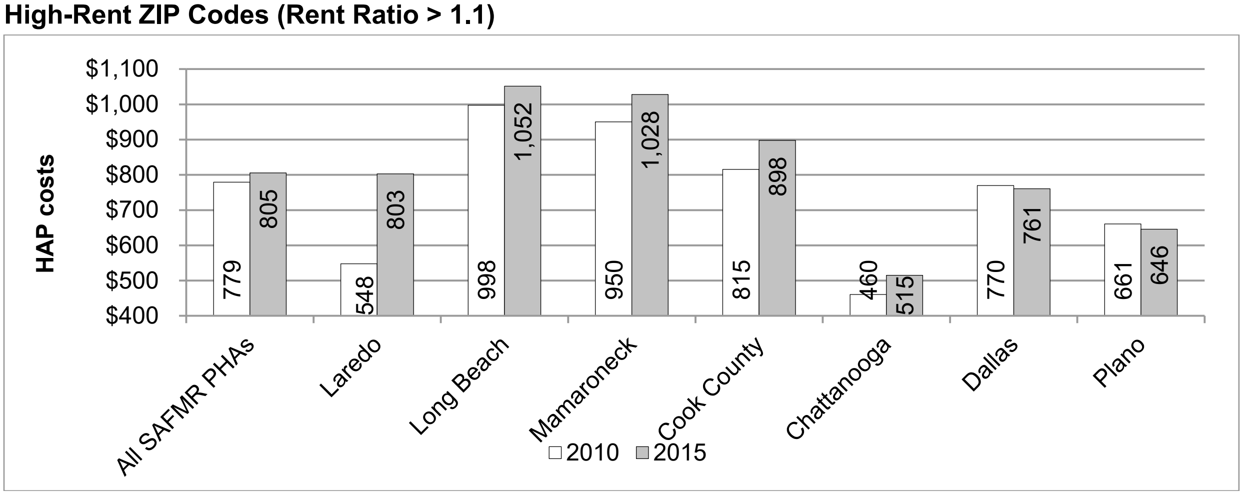
Low-Rent ZIP Codes (Rent Ratio < 0.9)



Moderate-Rent ZIP Codes (0.9 < Rent Ratio < 1.1)



High-Rent ZIP Codes (Rent Ratio > 1.1)



HAP = Housing Assistance Payment. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.

Notes: All values expressed in 2015 dollars. Mamaroneck had only nine housing choice voucher holders in low-rent ZIP Codes, therefore regard information with caution.

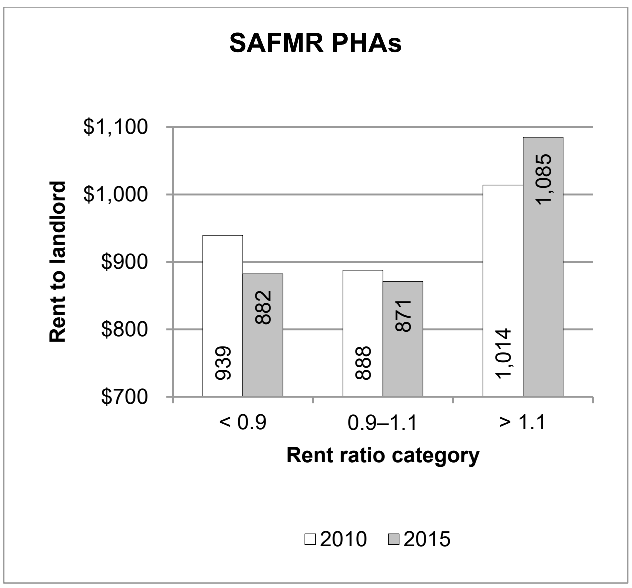
Sources: FY2015 Fair Market Rents; HUD FY2015 Small Area Fair Market Rents; HUD Public and Indian Housing Information Center administrative data

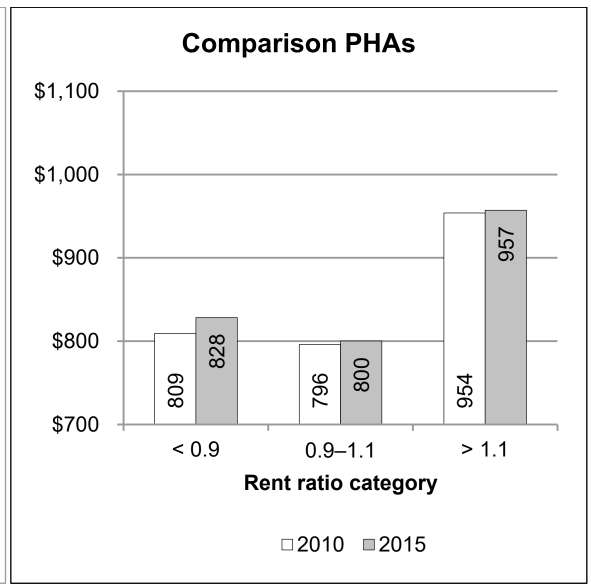
Landlord Effects: Rent to Landlords

The payment standard level affects the rent payment to the landlord, but payments to landlords can vary for several reasons. For example, the rent to landlords can exceed the payment standard if the HCV holder is willing to pay rent above the payment standard. As another example, specific units may not qualify to rent at levels equal to the full payment standard if market analysis indicates that reasonable rent values are below payment standards. Further, PHAs can approve rent exceptions for specific units should a situation warrant it; for example, to prevent an elderly person from moving.

Rents to landlords comprise rents paid by HCV holders and PHA payments to landlords on behalf of HCV holders. Average rents to landlords stayed more or less flat in real terms in both SAFMR and comparison PHAs from 2010 to 2015, decreasing by 1 percent in the former and increasing by 1 percent in the latter. However, Exhibit 7-5 shows that, in the comparison PHAs, rents to landlords stayed constant across all ZIP Code types, whereas in the SAFMRs, the pattern varied by rent ratio. As expected, rents to landlords decreased in low-rent ZIP Codes (by about 7 percent) and increased in high-rent ZIP Codes (by about 6 percent). This change confirms that HCV holders in low-rent ZIP Codes were able to find lower cost units, either through existing landlords accepting lower rents or by finding new units.

Exhibit 7-5: Rent to Landlords for SAFMR and Comparison PHAs by Rent Ratio



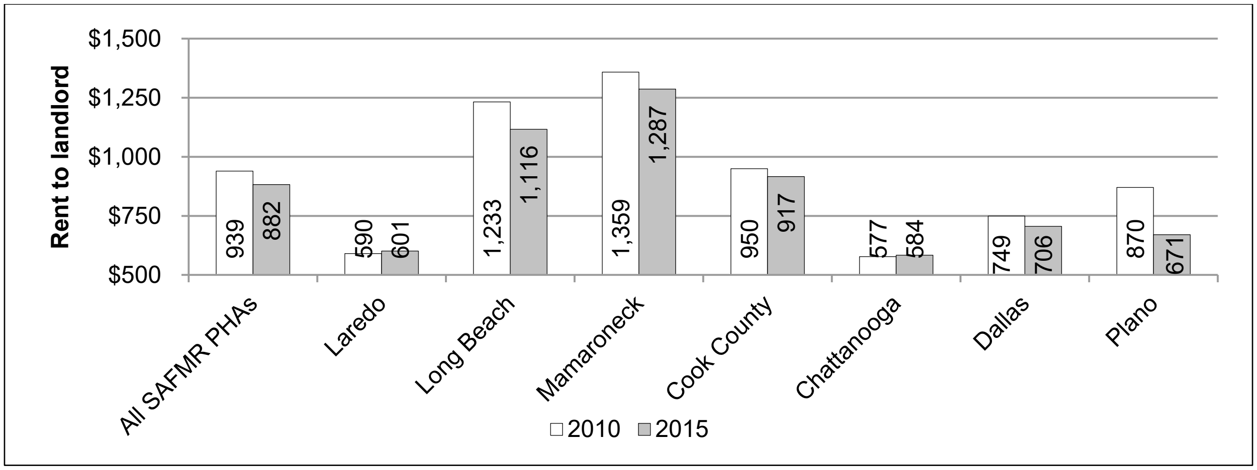


PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Note: All values expressed in 2015 dollars.
Sources: FY2015 Fair Market Rents; HUD FY2015 SAFMRs; HUD Public and Indian Housing Information Center administrative data

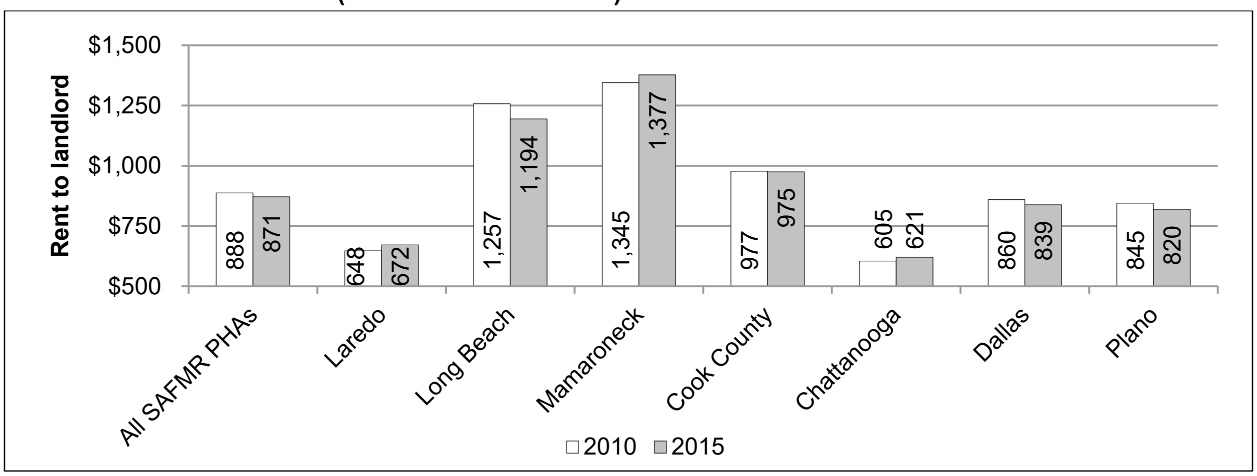
Exhibit 7-6 shows the rents to landlords by site. In low-rent ZIP Codes, average rents to landlords decreased by 10 percent in Long Beach, 6 percent in Mamaroneck, and 30 percent in Plano. In high-rent ZIP Codes, average rents increased in all sites, except Long Beach and Plano, by 7 percent or more. Rents increased in high-rent ZIP Codes by about 9 percent in Dallas and 30 percent in Laredo. Changes in rents to landlords in low- and high-rent ZIP Codes were modest in the other PHAs. Average rents in moderate-rent ZIP Codes changed only modestly, if at all, in most PHAs.

Exhibit 7-6: Average Rent to Landlords by Site

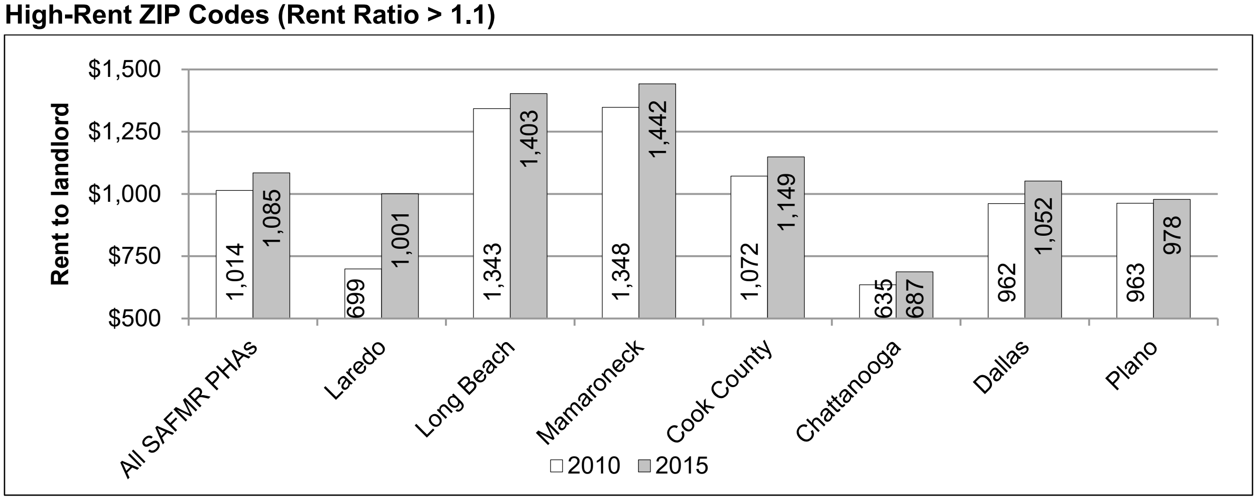
Low-Rent ZIP Codes (Rent Ratio < 0.9)



Moderate-Rent ZIP Codes (0.9 < Rent Ratio < 1.1)



High-Rent ZIP Codes (Rent Ratio > 1.1)



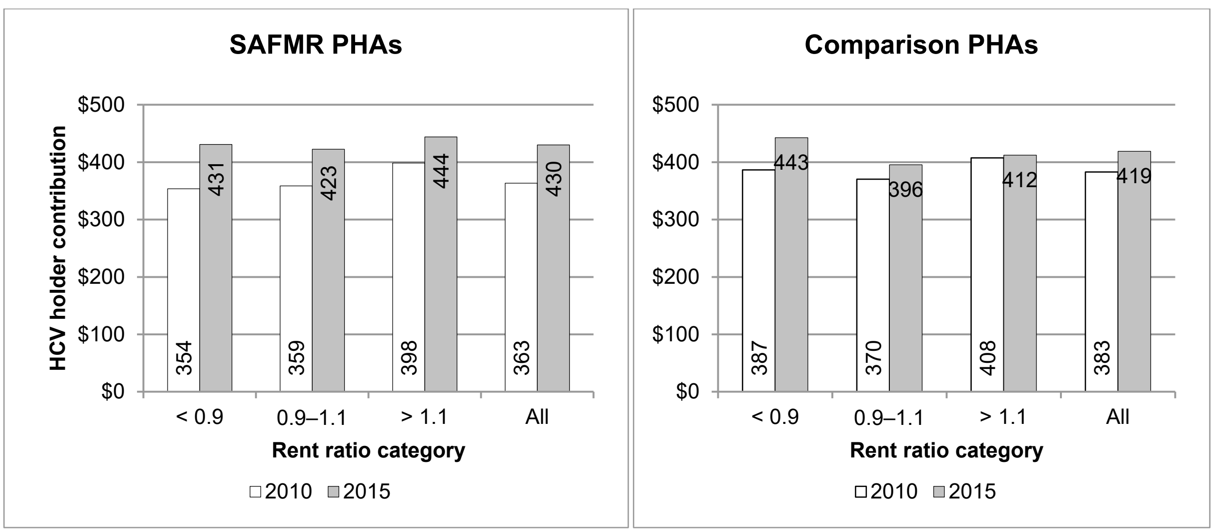
PHA = public housing agency. SAFMR = Small Area Fair Market Rents.
Notes: All values expressed in 2015 dollars. Mamaroneck had only nine housing choice voucher holders in low-rent ZIP Codes, therefore regard information with caution.
Sources: FY2015 Fair Market Rents; HUD FY2015 SAFMRs; HUD Public and Indian Housing Information Center administrative data

HCV Holder Effects: HCV Holder Contributions to Rent

Finally, Exhibits 7-7 and 7-8 look at the average monthly HCV holder contributions to rent.

Exhibit 7-7 shows that in the SAFMR PHAs, HCV holder contributions increased an average of 18 percent (in real terms) between 2010 and 2015. HCV holder contributions to rent increased the most in low-rent ZIP Codes, increasing from $354 to $431, or a 22-percent increase—perhaps due to increases in rent contributions by HCV holders who did not wish to move despite drops in payment standards that lowered HAP payments to landlords on their behalf. HCV holder contributions to rent also rose substantially in moderate-rent ZIP Codes, rising from about $359 to $423, an 18-percent increase. The increase in HCV holder contributions to rent in high-rent ZIP Codes was smaller, rising from about $400 to $444, or an 11-percent increase. A different pattern applied in the comparison PHAs, where HCV holder contributions rose by about 9 percent during this period, with roughly similar increases across all rent ranges. Taken together, the data for the two sets of PHAs suggests SAFMRs led to substantial increases in HCV holder contributions to rent in low-rent ZIP and moderate-rent ZIP Codes but only slight increases in HCV holder contributions to rent in high-rent ZIP Codes.

Exhibit 7-7: Average HCV Holder Contribution to Rent by Rent Ratio



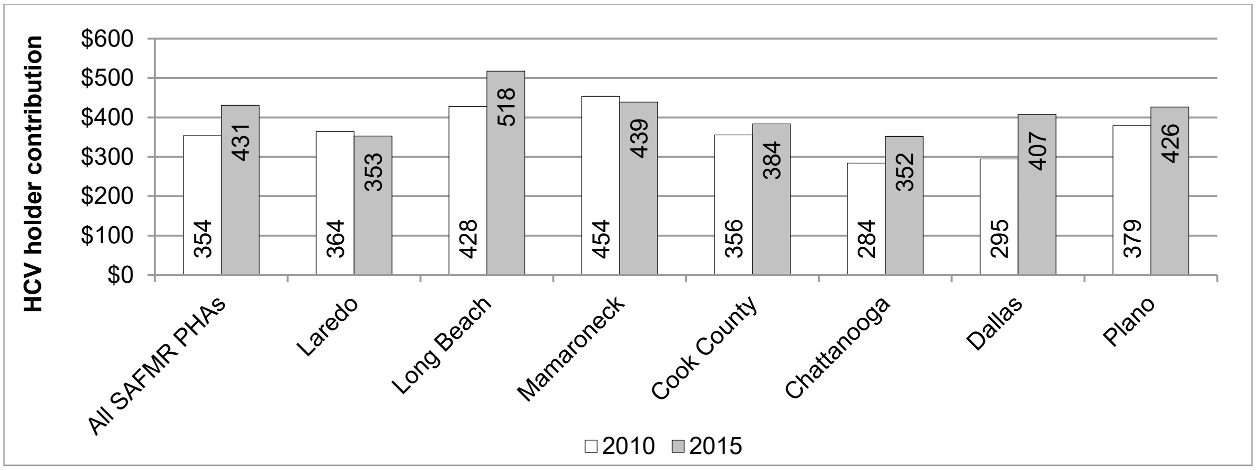
HCV = housing choice voucher. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Note: All values expressed in 2015 dollars.
Sources: FY2015 Fair Market Rents; HUD FY2015 SAFMRs; HUD Public and Indian Housing Information Center administrative data

Note that changes in HCV holder contributions to rent can result from changes in payment standards (particularly when payment standards decrease without corresponding decreases in unit rents), changes in the actual rents of selected units, changes in HCV holder incomes, and changes in utility allowances. Although voucher holders may not spend more than 40 percent of income at the time of initial lease up, they are able to contribute more of their income after the first year of a lease.

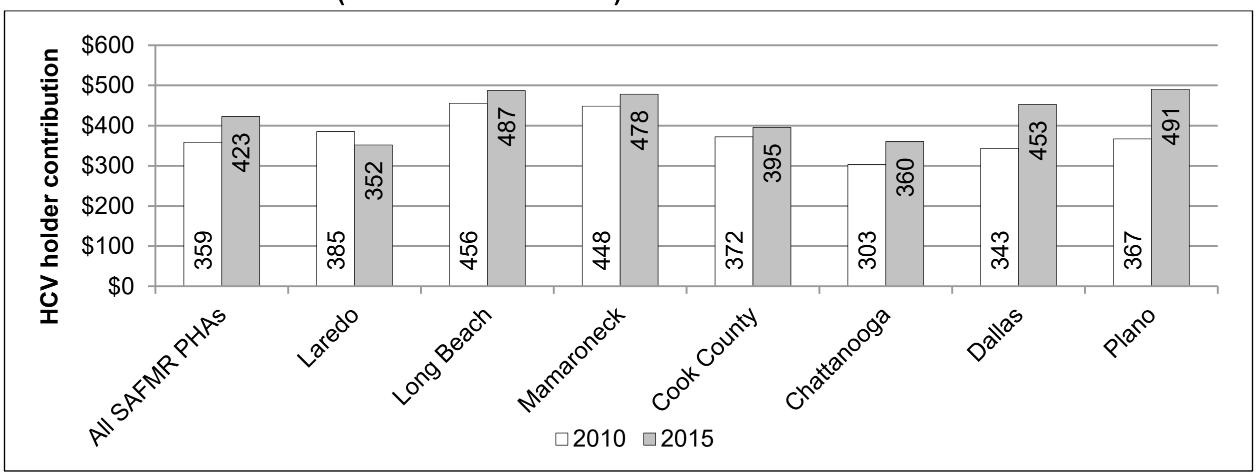
Exhibit 7-8 shows HCV holder contributions to rent by site by rent category. In low-rent ZIP Codes, most PHAs generally follow a similar pattern of substantial increases in HCV contributions to rent—24 percent in Chattanooga, 8 percent in Cook County, 38 percent in Dallas, 21 percent in Long Beach, and 13 percent in Plano. In Laredo and Mamaroneck, average tenant contributions to rent actually declined; however, as noted, the sample size in Mamaroneck was very small, so regard this finding with caution.

Exhibit 7-8: Average HCV Holder Contribution to Rent by Site

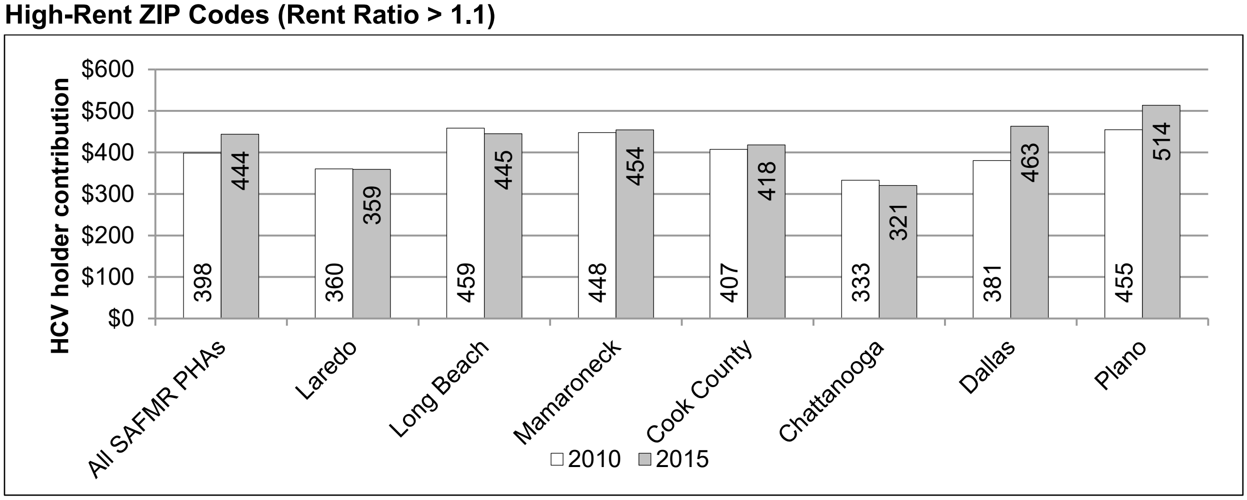
Low-Rent ZIP Codes (Rent Ratio < 0.9)



Moderate-Rent ZIP Codes (0.9 < Rent Ratio < 1.1)



High-Rent ZIP Codes (Rent Ratio > 1.1)



HCV = housing choice voucher. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Notes: All values expressed in 2015 dollars. Mamaroneck had only nine HCV holders in low-rent ZIP Codes, therefore regard information with caution.
Sources: FY2015 FMRs; HUD FY2015 SAFMRs; HUD Public and Indian Housing Information Center administrative data

Tenant contributions increased in similar proportions in moderate-rent ZIP Codes for all PHAs except Laredo, where tenant contributions decreased.

In the high-rent ZIP Codes, tenant contributions remained the same at the five demonstration sites and increased slightly in Dallas and Plano. We will explore this disparity in the changes by site as part of the Phase 2 analysis.

8. Plan for Phase 2 Data Collection

In Phase 2, during the second 18 months of the study, we will conduct a second round of site visits to the same seven PHAs to update the information on administrative processes and costs and to interview tenants and landlords. The interviews will build on the findings in Phase 1 and are designed to complement and enhance the quantitative analyses. In Phase 2, we will also update the analysis of secondary data with 2016 and 2017 data. We will combine and synthesize Phase 1 and Phase 2 findings in the final report.

Our hypothesis in developing the study approach and budget is that most of the costs of implementing SAFMRs are one time and upfront. As such, our primary data collection relating to costs and our primary implementation analysis will come from the Phase 1 site visits. However, as part of the Phase 2 site visits, we will confirm and refine our estimates of ongoing administrative costs. We will also update any information regarding PHA experiences.

The primary purpose of the Phase 2 site visits will be to interview housing choice voucher holders and landlords in person to learn qualitatively whether tenants and landlords are aware of changes in payment standards and how changes affected (or could affect) HCV holders' decisions about housing and neighborhood choice and landlord participation in the HCV program.[37,38] We will conduct the interviews in Phase 2, rather than Phase 1, to form our interview guides from initial empirical findings.

We plan to interview a total of 70 tenants and 35 landlords across the seven SAFMR evaluation sites, 10 tenants and 5 landlords at each of the seven SAFMR PHAs.[39] We propose conducting a modest number of interviews, in keeping with budget constraints. Regardless, we think it is sufficient number of interviews to identify any major issues regarding awareness and understanding of SAFMRs that will be important for interpreting the study's quantitative findings and for future policy development.[40]

Ideally, we will interview a range of HCV holders, including new HCV holders, movers, and people who both do and do not lease in high-opportunity area. In addition, we will interview a range of landlords, including those who experienced decreases in payment standards and those owning units in high-opportunity areas with rents within reach of HCV holders who either do or do not rent to HCV holders. We will work with the PHAs to obtain listings of HCV holders and landlords from which to sample and will use public data sources, such as craigslist.com, to identify landlords not currently renting through the HCV program. We will determine the exact mix of interviewees in the Phase 2 research design and refine our determination based on the Phase 1 empirical findings.

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37 We will conduct telephone interviews in place of those we cannot complete in person.

38 We do not expect tenants or landlords to be familiar with the term small area FMRs fair market rents, so we will use language that is more meaningful to them, such as "payment standards established by the public housing authority."

39 During the design phase, we will discuss whether it makes sense to cluster landlord interviews in a subset of sites, such as sites where the shift to SAFMRs does not appear to have substantially changed locational outcomes.

40 We opted to conduct individual interviews rather than focus groups because of the potential sensitivity of the subject matter for landlords and the need to probe on individual experiences and understanding for tenants.

Appendix D provides drafts of the discussion guides that we will use in the Phase 2 interviews with landlords, tenants, and public housing agencies. Interview instruments from Dr. DeLuca's ongoing research informed these discussion guides (DeLuca and Edin, 2015). Topics for HCV holder interviews include tenant awareness and understanding of changing payment standards, decisions around recent moves (for movers), and factors contributing to decisions in selecting current units. Topics for landlord interviews include landlord awareness and understanding of HCV program and payment standards, appropriateness of payment standards to market, and experience with and attitudes toward the HCV program. The discussion guides that we will use for Phase 2 interviews with PHAs are similar to those used in Phase 1, which we will use to obtain updated perspectives on PHA experiences on the shift to Small Area Fair Market Rents.

Two-person teams will conduct Phase 2 site visits, with junior visitors creating the interview notes and lead interviewers reviewing and approving final versions. The site visitors will submit comprehensive notes from tenant and landlord interviews, with information organized by interview protocol question. Following the completion of the site visits, all site visitors will meet to compare the findings across sites and identify themes from the interviews. We will also systematically review the interview notes for themes using NVivo.[41] The interview notes will serve as primary qualitative data sources from site visits, and we will use the notes in conjunction with the study's other data sources to conduct the final analysis and complete the final report.

[41] NVivo™ is a software package designed for the management and analysis of qualitative data. We will upload and code data into the software to facilitate efficient, systematic, reliable, and replicable analyses. NVivo can identify prevalent themes from the interviews and help us to understand patterns regarding PHA and respondent characteristics relating to the themes.

Appendix A. Small Area Fair Market Rent Demonstration Site Selection

HUD's process for selecting public housing agencies (PHAs) for the Small Area Fair Market Rent (SAFMR) demonstration had three stages: (1) selecting a pool of PHAs that met initial criteria; (2) organizing the PHAs into selection clusters; and (3) inviting PHAs to participate in the demonstration seque1ntially in random order. Invitation rounds proceeded until a sufficient number of PHAs had agreed to participate. A discussion in more detail on each stage follows.

Screening Criteria

HUD began selection by developing a pool of 247 local PHAs and 20 state PHAs, each of which met the following set of initial criteria (Kahn and Newton, 2013).

1. Had at least 500 vouchers in use as of September 30, 2011.
2. Had at least 10 housing choice voucher (HCV) tenants living in ZIP Codes where the SAFMR exceeded the metropolitan area Fair Market Rent (FMR) by more than 10 percent in fiscal year 2012.
3. Had at least 10 HCV tenants living in ZIP Codes where the SAFMR was more than 10 percent less than the metropolitan area FMR.
4. Had attained at least 95 percent HCV family reporting in Public and Indian Housing Information Center.
5. Was not troubled, as determined by the Section 8 Management Assessment Program.
6. Had the administrative capacity to carry out the SAFMR program.
7. Had not been involved in litigation that would seriously impede its ability to administer the HCV program.

Clustering

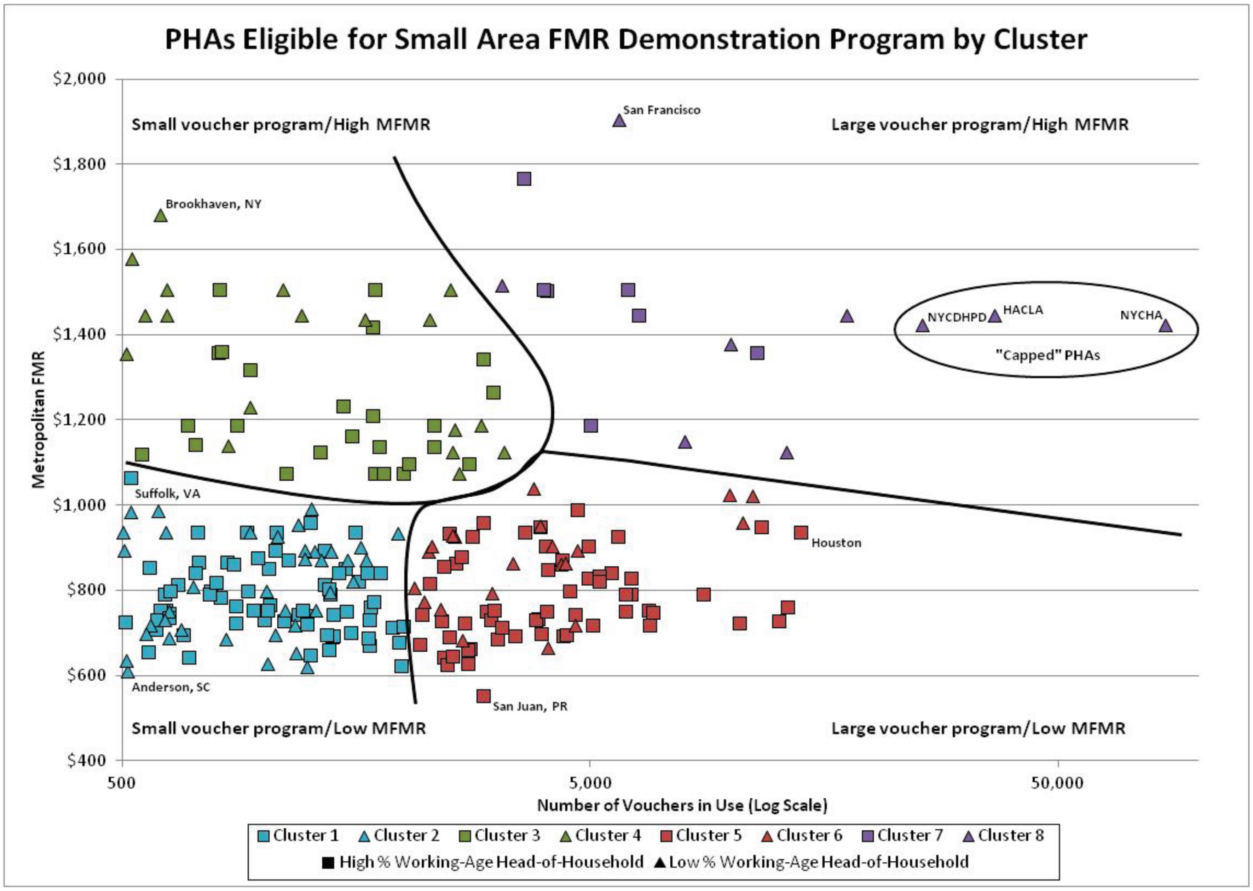
HUD organized the 247 eligible local PHAs into eight selection clusters using key HCV program and housing market conditions that are not expected to change as a result of implementing SAFMRs. HUD created two tiers of clusters, with the first four groups based on the number of vouchers (small, large) and the two-bedroom metropolitan area FMR (low, high). Then these four groups were split in two based on the number of working-age heads of household (percent high, percent low). Exhibit A-1 presents the cluster definitions. Exhibit A-2 depicts the formation of the first-tier grouping based on metropolitan area FMR and PHA size.

Exhibit A-1: PHA Selection Cluster Definitions

	Small Number of Vouchers	Large Number of Vouchers
Low metropolitan area FMR	**High % working age** 70 PHAs (Cluster 1) **Low % working age** 38 PHAs (Cluster 2)	**High % working age** 59 PHAs (Cluster 5) **Low % working age** 21 PHAs (Cluster 6)
High metropolitan area FMR	**High % working age** 25 PHAs (Cluster 3) **Low % working age** 18 PHAs (Cluster 4)	**High % working age** 7 PHAs (Cluster 7) **Low % working age** 9 PHAs (Cluster 8)

FMR = Fair Market Rent. PHA = public housing agency.

Exhibit A-2: PHA Selection Cluster Size and FMR Values



FMR = Fair Market Rent. HACLA = Housing Authority of the City of Los Angeles. MFMR = metropolitan area FMR. NYC HPD = New York City Department of Housing Preservation and Development. NYCHA = New York City Housing Authority. PHA = public housing agency.
Source: HUD Office of Policy Development and Research analysis during cluster formation process

Random Ordering

HUD randomly ordered PHAs within each cluster. Next, it invited the PHA at the top of each cluster list to participate in the evaluation. When an invited PHA declined to participate, HUD reached out to the next PHA in that cluster. After a number of rounds, five PHAs from five of the eight clusters had agreed to participate in the SAFMR demonstration, and HUD determined this mix was adequate for both the demonstration and its evaluation.

How Selection Informs the Evaluation

HUD's selection process informs both our evaluation design and the interpretation of our findings. Because PHAs were randomized before invitation to participate in the demonstration, each of the demonstration PHAs and the other PHAs within its cluster do not differ in any systematic way. This randomization adds confidence to the impact interpretation of the evaluation findings, that SAFMRs cause changes in our outcomes of interest.

However, because available resources allowed for the inclusion of only one PHA per cluster in the demonstration, not enough statistical power exists to support analysis as a *cluster random controlled trial* design. Rather, we report average changes over time for the SAFMR PHAs combined, and for each PHA individually, comparing these average changes with averages for other PHAs that were eligible but not included in the demonstration (the 138 comparison PHAs) and averages for all PHAs in each cluster individually.

The initial selection criteria affect the interpretation of the results of this evaluation to varying degrees. Criteria 2 and 3 ensure that the transition to SAFMRs will affect some existing HCV holders in that the payment standards applying to their vouchers will likely change. As discussed previously, this likely change is a key factor in determining whether SAFMRs will affect HCV holders. Findings of impact in the evaluation may not hold for PHAs with less rent dispersion. Similarly, a lack of findings in the evaluation, with a sample that already contained some households accessing high-rent neighborhoods (criteria 2), may not hold for areas where at least 10 HCV holders were not accessing neighborhoods with high-rent levels under metropolitan area FMRs but would be able to with SAFMRs.

Criteria 4 through 6 affect the interpretation of our findings on the impact of SAFMRs on PHAs, because they limit only the types of PHAs in the demonstration to those that are high performing (that is, reporting to Public and Indian Housing Information Center, not troubled, deemed able to carry out the demonstration, and not involved in litigation). Thus, we cannot be confident that findings from the demonstration would apply to lower-performing agencies.

Appendix B. Administrative and Financial Impacts of Small Area Fair Market Rents on Public Housing Agencies: Consolidated Exhibits

This appendix consolidates and reproduces the exhibits in the sections entitled Factors Affecting PHAs' SAFMR Implementation and SAMFR Administrative Impacts on PHAs.

Exhibit B-1. Administrative Impacts of SAFMRs on PHAs

Impact	PHA					
	Chattanooga	Cook County	Dallas	Long Beach	Mamaroneck	Plano
PHA plan and administrative plan changes	Director—1 hour.	No change.	VP, president, and CEO—80 hours PHA administrative plan, 80 hours for PHA plan.	Minimal—time not recorded.	Administrator—5–10 hours; Administrator—2 hours.	Finance director—24 hours administrative plan, 2 hours for PHA plan.
Modifications to automated systems	IT specialist—40 hours/$900.	No change.	Software vendor + IT director + CFO—250 hours/$35,000 to software vendor.	GoSection8 system changes for rent reasonableness.	$400 to software vendor + 6 ED; 40 hours for automated spreadsheet.	Office supplies, postage, software modifications $10,705; finance director—124 hours.
Analyzing and setting payment standards	Director—40 hours to date.	Created and updated spreadsheet of ZIP Codes and payment standards—100 hours to date.	VP-HCV, CFO, COO, president/CEO, 120 hours.	Community program specialist—15 to 16 hours for affordability spreadsheet.	Director—40 hours initially; 10 hours to update annually.	All staff—1 hour.
Rent reasonableness	No change.	No change.	Additional office support + overtime.	No change.	7 hours per week.	No change.
Contract rent adjustments	Director—192 hours annually to respond to increase in requests.	No change.	Additional overtime, landlord services.	No change.	None named.	Slight increase during change in standards.
Inspection system and process changes	New hire: contract inspector—$15,000 per year for overflow inspections.	No change.	Two new inspectors hired.	Increased number of inspections.	Increase in travel distance for inspections.	No change.

Impact	PHA					
	Chattanooga	**Cook County**	**Dallas**	**Long Beach**	**Mamaroneck**	**Plano**
Communication strategy	Monthly landlord briefing, tenant briefings present an increase.	None reported.	New client and landlord guide.	No change.	Minimal additions to the website and forms.	Finance director—10 hours.
Procedures and staff training	Staff training for SAFMR: director, housing specialist, inspector.	Training held as part of regular staff meetings.	$40,000 in staff training.	Phone calls with HUD, increase in staff trainings.	Increase in trainings.	Staff trainings.
Education and support for tenants	None reported.	Created new mobility counseling program in conjunction with SAFMRs.	New relocation and briefing packets.	Tenants given more information during normal briefings.	Tenants given more information during normal briefings.	Longer briefings with tenants.
Education and support for landlords	Monthly landlord briefings.	None reported.	Additional landlord training.	Recruiting events held; landlord mailing; advertising; created new owner orientation; newsletter; attendance at apartment association meetings and trade shows.	Landlords given more information during normal briefings.	None reported.
Quality assurance	Director—65 hours per year.	Increase in HUD-50058 errors.	More frequent quality control.	Increase in file review.	No change.	Increase in errors.

CEO = chief executive officer. CFO = chief financial officer. COO = chief operating officer. ED = executive director. IT = information technology. PHA = public housing agency. SAFMR = Small Area Fair Market Rent. VP = vice president. VP-HCV = vice president of Housing Choice Voucher program.

Exhibit B-2: Administrative Impacts of SAFMRs on PHAs

	PHA					
Impact	**Chattanooga**	**Cook County**	**Dallas**	**Long Beach**	**Mamaroneck**	**Plano**
PHA Plan and Administrative Plan changes	Director—1 hour.	No change.	VP, president, and CEO—80 hours PHA Administrative Plan, 80 hours for PHA Plan	Minimal—time not recorded.	Administrator—5–10 hours; Administrator—2 hours	Finance director—24 hours Administrative Plan, 2 hours PHA Plan
Modifications to automated systems	IT specialist—40 hours/$900.	No change.	Software vendor + IT director + CFO—250 hours at $35,000 to software vendor.	GoSection8 system changes for rent reasonableness.	$400 to software vendor + 6 ED; 40 hours for automated spreadsheet.	Office supplies, postage, software modifications $10,705; finance director—124 hours.
Analyzing and setting payment standards	Director—40 hours to date.	Created and updated spreadsheet of ZIP Codes and payment standards—100 hours to date.	VP-HCV, CFO, COO, president and CEO, 120 hours.	Community program specialist—15 to 16 hours for affordability spreadsheet.	Director—40 hours initially; 10 hours to update annually	All staff—1 hour.
Rent reasonableness	No change.	No change.	Additional office support + overtime.	No change.	7 hours per week.	No change.
Contract rent adjustments	Director—192 hours annually to respond to increase in requests.	No change.	Additional overtime, landlord services.	No change.	None named.	Slight increase during change in standards.
Inspection system and process changes	New hire: contract inspector—$15,000 per year for overflow inspections.	No change.	Two new inspectors hired.	Increased number of inspections.	Increase in travel distance for inspections.	No change.
Communication strategy	Monthly landlord briefing, tenant briefings present an increase.	None reported.	New client and landlord guide.	No change.	Minimal additions to the website and forms.	Finance director—10 hours.

	PHA					
Impact	**Chattanooga**	**Cook County**	**Dallas**	**Long Beach**	**Mamaroneck**	**Plano**
Procedures and staff training	Staff training for SAFMR: director, housing specialist, inspector.	Training held as part of regular staff meetings.	$40,000 in staff training.	Phone calls with HUD, increase in staff trainings.	Increase in trainings.	Staff trainings.
Education and support for tenants	None reported.	Created new mobility counseling program in conjunction with SAFMRs.	New relocation and briefing packets.	Tenants given more information during normal briefings.	Tenants given more information during normal briefings.	Longer briefings with tenants.
Education and support for landlords	Monthly landlord briefings.	None reported.	Additional landlord training.	Recruiting events held; landlord mailing; advertising; created new owner orientation; newsletter; attendance at apartment association meetings and trade shows.	Landlords given more information during normal briefings.	None reported.
Quality assurance	Director—65 hours per year.	Increase in HUD-50058 errors.	More frequent quality control.	Increase in file review.	No change.	Increase in errors.

CEO = chief executive officer. CFO = chief financial officer. COO = chief operating officer. ED = executive director. IT = information technology. PHA = public housing agency. SAFMR = Small Area Fair Market Rent. VP = vice president. VP-HCV = vice president of Housing Choice Voucher program

Appendix C. Site Visit 1 Protocol

GUIDANCE TO SITE VISITORS:

- Keep probing PHA staff on a question until you get an answer that makes sense. You may need to repeat their answer back to them to make sure you've understood them properly.
- You may need to rephrase some questions to make sure staff understood the question well enough to confidently answer or say "no, we don't do that."

C.1 Phase 1: Background and Experience with SAFMR Transition

C.1.1 Experience with Transition to SAFMRs

I'd like to start by asking about you and your experience with the SAFMR demonstration.

1. What is your background and experience with the organization?

2. What was the motivation of the PHA for joining the demonstration?

3. Generally speaking, how has the transition proceeded? What steps were required to make the initial transition to SAFMRs?

4. Were there any unexpected implementation issues?

5. Are there any other changes outside of the PHA that may have influenced how SAFMRs were implemented or accepted? For example, did sequestration affect the timing of the roll out or any administrative procedures? Did source of income protection affect landlord attitudes? Were there any other changes?

C.1.2 Background Information

6. I'd like to review some basic background information on your PHA to make sure I have a good understanding before we go into more details. *(Find the available information for this table in _County_Data.xls file in the PHA folder; ask the PHA to fill in any gaps and/or confirm or correct the information.)*

PHA Background Information

Data item	Explanation
Cities/counties served by the HCV program:	(List cities or counties)
Jurisdiction in square miles:	(Miles)
Pre-SAFMR payment standard (FMR schedule)	(Complete payment standard schedule for all bedroom sizes and all sub-areas for the year before the transition to SAFMR)
Current payment standard by ZIP Code	(Complete payment standard schedule for all bedroom sizes and all ZIP Codes for the current year)
Fiscal year (FY) end date:	(Date)
Number of tenant-based vouchers under lease at end of last FY by type	(Number of regular, VASH, FUP, enhanced vouchers, etc.)
Current number of tenant-based vouchers under lease:	(Number)
Budget utilization rates:**	(Percent = HAP dollars spent / HAP budget allocated)
At end of FY 2015 (if available):	
At end of FY 2014:	
At end of FY 2013:	
At end of FY 2012:	
At end of FY 2011:	
At end of FY 2010:	
At end of FY 2009:	
Current budget utilization rate:	
Unit utilization rates:**	(Percent = units under lease / units allocated)
At end of FY 2015 (if available):	
At end of FY 2014:	
At end of FY 2013:	
At end of FY 2012:	
At end of FY 2011:	
At end of FY 2010:	
At end of FY 2009:	
Current unit utilization rate:	
Software used to submit PIC data:	(Name of software)

*Special vouchers include: homeownership vouchers, VASH, FUP, Mainstream 1, Mainstream 5, non-elderly disabled, tenant protection, disaster voucher.

**Source: VMS (Voucher Management System)

7. Is your PHA a stand-alone agency, a unit of government, i.e., part of the city, county, or state government, a nonprofit contractor, or a for-profit contractor? (*If part of government, identify which agency and which level of government*.)

8. What is the current rental market vacancy rate, either overall or within subdivisions of your jurisdiction? What sources do you use for your estimate? What is the vacancy rate in the portion of the market affordable to voucher holders? What sources do you use for your estimate?

9. *[Refer to table, PHA Background Information]*Has your budget utilization rate changed as a result of the switch to SAFMRs? If so, how and why? If not, why not?

10. *[Refer to table, PHA Background Information]* Have unit utilization rates changed as a result of SAFMRs? In what way? If not, why not? If so, does this differ for ZIP Codes with higher versus lower payment standards? Do you expect impacts to dissipate over time? If not, why not?

C.1.3 Participant experience (from the PHA perspective)

11. Do you feel that families who have been awarded a voucher understand what rent they can afford in different neighborhoods under the SAFMR policy? Was it difficult to explain the policy to existing residents? Has it been difficult to explain the policy to new voucher recipients? If not, why not?

12. How have SAFMRs affected where new voucher recipients search? Are they more likely to search in areas of opportunity? Where they lease up? Are they more likely to lease up in areas of opportunity? If not, why not?

13. Does the PHA provide search assistance in areas where payment standards increased? Does the PHA provide assistance to households that live in areas where the payment standard decreased?

14. Have you changed your policies regarding the amount of time voucher recipients have for their initial search since the switch to SAFMRs? What, if any, changes have you made in your policies related to granting extensions? Has this had an impact on the PHA’s administrative duties or costs? If so, what has the impact been?

15. Do participants have a hard time finding units to rent that meet program requirements? If so, why? If not, why not? How has this changed since implementation of SAFMRs? Does this vary by neighborhood?

    15a. To what extent, if at all, is the security deposit on units in high-opportunity neighborhoods a barrier to relocating (e.g., because security deposits tend to be higher on higher-cost units)?

16. *[Refer to table Voucher Success Rates]* What is your estimate of voucher success rates from 2012-2015? Do you think SAFMRs have affected voucher success rates? If so, how? What other factors have affected voucher success rates since implementing SAFMRs (e.g., sequestration, change in market tightness)? How important is SAFMR relative to other factors? Has the impact of SAFMR been different for new voucher recipients and existing voucher holders? If so, what are the differences?

Voucher Success Rates*

PHA Fiscal Year	PHA estimate of success rate
Year prior to implementation (list year:______)	
Year during implementation (list year: _____)	
Year following implementation (list year: _____)	

*The success rate is defined as the percentage of new voucher holders that successfully lease a qualifying unit in the program.

17. Has the switch to SAFMRs had an effect on the rate at which existing HCV participants move? If so, what effect is that? If not, why not?

18. Has the switch to SAFMRs had an effect on where existing HCV participants who choose to move end up leasing up? If so, what effect is that? If not, why not?

19. How have current tenants in areas where rents decreased responded? Have they left the program? Have their landlords accepted lower rents? Have their out-of-pocket costs increased – if so, for what reasons?

20. Does the PHA track information on involuntary moves (e.g., tracked in PIC, termination notice, unit no longer meets rent reasonableness standard, landlord foreclosure, landlord sale)? Can we get a

sample of this data? Has there been a change in the number of involuntary moves as a result of SAFMRs? If so, how has it changed and what are the reasons for this?

21. When was the last time you opened your waiting list? Did you get more or fewer applicants than the last time you opened your list? Do you a sense of whether the switch to SAFMRs had any effect on the number of applicants on the waiting list? Why or why not?

22. Overall, do you feel that residents are pleased with the change to SAFMRs?

23. What information does the PHA keep on household search or other indicators of tenants' experience with SAFMRs (e.g., requests for extensions of time, use of resource rooms, use of housing search and assistance programs)? Is there any information on neighborhoods targeted by families, or any additional information beyond what is in PIC? Can we get samples of this information?

24. Does the PHA have any other thoughts on impacts of the demonstration on residents?

C1.4 Landlord experience (from the PHA perspective)

25. Since implementation of SAFMRs, has the PHA reached out to landlords in opportunity areas? What type of outreach? If not, why not?

26. Has the policy been difficult to explain to landlords? Do you get a lot of complaints from landlords? Has this taken a lot of PHA staff time to address? Have complaints gone down over time? Why or why not?

27. What has been the reaction of these landlords?

28. Have a significant number of new landlords in areas where payment standards have increased begun to participate in the program since the switch to SAFMRs? Why do you think that is?

29. How many new landlords in areas with higher payment standards have joined the program?

30. Overall, how many landlords were renting to HCV holders before the transition to SAFMRs? How many landlords are renting to HCV holders today? What do you think are the reasons for any changes?

31. What has been the reaction of existing landlords to SAFMRs? Have landlords in areas experiencing a sizable decrease in payment standards renewed their leases at lower rents? Have they ended their relation with the program? Why or why not?

    31a. Have you noticed any changes in neighborhood development patterns that might be related to SAFMRs? For example, more development in higher-opportunity areas and less development in lower-opportunity areas? Or changes in the types of development? If so, what changes have you noticed? How are SAFMRs related to these changes? For example, do SAFMRs affect development of RAD, tax credit, and other properties? If so, how? Have you observed that SAFMRs are affecting private development? If so, how? What is the magnitude of these effects?

C.2 Phase 1: PHA Costs of SAFMR Transition

C.2.1 Housing Assistance Payment Costs

32. How did you expect per-unit HAP costs to change as a result of SAFMRs? (e.g., how are payment changes being applied? What happens if the payment standard goes up? stays the same? goes down? Does the tenant or landlord pay the difference?) How did your expectation affect how you set HAP, and how you communicated SAFMRs to tenants and landlords?

33. How has the transition actually affected per-unit HAP costs? (Do you actively track changes?) Have changes been a result of changes in contract rents for voucher units, payment standards, or both? Please explain.

C.2.2 HCV Program Staffing/Labor Costs

34. *PHA will be asked in advance to provide a list staff members/titles (columns A and B).* The following is the list of employees/titles. For each person, could you indicate whether there has been a change in role/responsibilities as a result of SAFMR? If yes, please also indicate whether there has been a) a change in base salary; b) a change in overtime pay; and c) whether the person is newly hired. As appropriate, please indicate the corresponding cost of each of these role/responsibility changes.

Staffing changes related to SAFMR

Employee name or initials	Title	Change in role/ responsibilities as a result of SAFMR? (If yes, describe)	If YES in column C (change in role/responsibilities), then: Change in salary as a result of SAFMR? (If yes, provide annual $ change)	Change in overtime as a result of SAFMR? (If yes, provide annual change in overtime pay)	New hire as a result of SAFMR? (If yes, provide annual total compensation)

35. Can you tell me who performs each of the following functions? For each activity/task, have there been changes resulting from SAFMR? Are these changes one-time or ongoing?

Staff Performing Activities/Tasks

Activity/task	Who performs it (initials or title)	Any changes resulting from SAFMR? One-time or ongoing?
Waiting List/Selection		
Initial eligibility determinations		
Voucher issuance		
Rent reasonableness		
HQS Inspections		
Informal reviews		
Annual re-certifications		
Move processing		
Executing HAP contracts		
Processing HAP payments		
Data entry		
Customer service/complaint resolution		
Landlord outreach		
FSS program		
Voucher homeownership		
Case management		
Clerical functions		
Portability specialist		
Management/oversight		
Other: ______________________________		
Other:_______________________________		

C.2.3 Potential Impacts on Systems and Admin Plans from Implementing SAFMRs

36. Were modifications to the PHA Administrative Plan and PHA Plan required to implement SAFMRs? If so, describe these modifications and complete the table [Potential one-time impacts]. If there have been no changes, why not (i.e., what characteristics of your systems or processes made it possible to adapt without changes)? *(Note that the pre- and post-demonstration PHA Administrative Plan and PHA Plan will have been requested prior to the site visit.)*

37. Were modifications to the PHA's system of record required to implement SAFMRs? If so, describe these modifications and complete the table [Potential one-time impacts]. If there have been no changes, why not (i.e., what characteristics of your systems or processes made it possible to adapt without changes)?

38. Were modifications to other automated tools required to implement SAFMRs? If so, describe these modifications and complete the table [Potential one-time impacts]. If there have been no changes, why not (i.e., what characteristics of your systems or processes made it possible to adapt without changes)?

Potential one-time impacts

SAFMR-related change	Total cost expenditures	Staff hours needed for modifications	Staff performing modifications	Cost of consultants or temporary staff hired to assist with modifications
PHA Administrative Plan				
PHA Plan				
PHA system of record				
Other automated tools: *list* (e.g., rent reasonableness) ________________				
Other automated tools: *list* ________________				
Other automated tools: *list* ________________				

C.2.4 Potential Transitional Impacts from Implementing SAFMRs

39. How were payment standards set prior to SAFMRs? Were they the same for the entire PHA?

40. Describe the steps you took to set payment standards following the implementation of SAFMRs. Were these steps more time consuming than the process you took to set payment standards before? How much more time was involved? Have you updated your payment standards since that time? What was involved in doing this? Complete the table [Potential transitional impacts]. If the steps were not different, why not?

41. Has the shift to SAFMRs led to any changes in how you determine if rents are reasonable? What changes (*get as much detail as possible*)? Is determining rent reasonableness now easier, harder, or about the same as it was before the introduction of SAFMRs? If it is different, complete the table [Potential transitional impacts]. If there have been no changes, why not (i.e., what characteristics of your systems or processes made it possible to adapt without changes)?

42. Have SAFMRs changed the number of requests for contract rent adjustments or extended contract rent negotiations? If so, describe how and complete the table [Potential transitional impacts]. If there have been no changes, why not?

43. Have SAFMRs changed the number of requests from voucher holders for extensions of search time? If so, how? Does this add costs? If so, complete the table [Potential transitional impacts]. If not, do you have ideas about why this has not changed?

44. Have SAFMRs changed the productivity of HQS inspectors in terms of time per inspection and/or increased costs for travel to inspections (e.g., because units are dispersed over a larger area)? If so, describe and complete the table [Potential transitional impacts]. If there have been no changes, why not (i.e., what characteristics of your systems or processes made it possible to adapt without changes)?

45. Have any changes to the PHA's communication and outreach strategy and materials (e.g., landlord brochures, briefing packets, reexamination packets, web site and briefing videos) been required as a result of implementing SAFMRs? If so, provide these materials, and describe and complete the table [Potential transitional impacts]. If there have been no changes, why not (i.e., what characteristics of your systems or processes made it possible to adapt without changes)?

46. Prior to the SAFMR demonstration, had you defined opportunity areas, either formally or informally? If so, how does the PHA define opportunity areas? Is there a direct match between the SAFMRs and the opportunity and non-opportunity areas? Has this created any difficulties providing information to families searching? If so, describe and complete the table [Potential transitional impacts].

47. Has the PHA been administering a mobility program? If so, has the switch to SAFMRs changed the level of effort associated with providing support for tenants (e.g., encouraging them to move to opportunity areas, helping tenants understand the implications of reductions in payment standards in some areas)? If so, describe and complete the table [Potential transitional impacts].

48. Have additional briefings with tenants been required as a result of SAFMRs? If so, describe and complete the table [Potential transitional impacts]. If not, why do you think additional briefings with tenants have not been needed?

49. Have SAFMRs changed the level of support for landlords the PHA provides (e.g., more and/or specialized briefings or outreach)? If so, describe and complete the table [Potential transitional impacts]. If not, why do you think additional support for landlords has not been needed?

50. Have SAFMRs changed the incidence of HUD-50058 errors (e.g., because of selection of the wrong payment standard)? Have changes to the quality assurance process been required to deal with this? If so, describe and complete the table [Potential transitional impacts].

50a. Have SAFMRs changed the effort or process of preparing data for VMS? If so, how and why? Have you incurred costs as a result of this additional effort?

51. What other costs have you incurred as a result of the transition to SAFMRs?

52. Have any costs decreased as a result of the transition to SAFMRs? (E.g. rent reasonableness costs?) If so, how and why?

Potential transitional impacts

SAFMR-related change	Were costs one-time or ongoing? If ongoing, are higher costs permanent or will they decline over time?	Total cost expenditures	Time period over which expenditures were incurred	Staff hours needed for additional effort	Staff performing additional effort
Process of establishing payment standards					
Process of determining rent reasonableness data					
Requests for CRAs or extended contract rent negotiations					
Additional requests from voucher holders for extended search time					
Inspector productivity					

SAFMR-related change	Were costs one-time or ongoing? If ongoing, are higher costs permanent or will they decline over time?	Total cost expenditures	Time period over which expenditures were incurred	Staff hours needed for additional effort	Staff performing additional effort
PHA communication and outreach strategy and materials					
Support for tenants					
Support for landlords					
Quality assurance processes					

C.2.5 Other Program Costs

53. Have office building costs charged to HCV changed as a result of implementing SAFMRs? If so, how? (e.g., need for extra office space that resulted in expanding leased space in building?) If so, please provide documentation of additional expenditures. Were these costs temporary or ongoing?

54. Have any of the office expenses charged to HCV shown in the chart below changed as a result of implementing SAFMRs? If so, how?

HCV Office Expense Changes

Office expense	Affected by SAFMR? (Y/N)	Cost of additional expenses
Office supplies		
Office equipment		
Communication devices		
Postage and mailing costs		
Record storage		
Banking costs		
Costs of shredding sensitive records		
Audit costs		
Limited English Proficiency, 504 compliance, fair housing laws, translation of documents, interpretation services		

55. Has implementing SAFMRs affected the PHA's vehicle expenses charged to HCV? If so, how? (e.g., more miles needed to inspect units no longer concentrated in a few tracts?) What is the total additional vehicle expense?

56. What additional training / conferences / professional association affiliation; publications and administrative expenses associated with pertinent training, conferences and membership in affiliated associations were required to implement SAFMRs? This cost should also include any amounts associated with travel costs.

C.2.6 Conclusion

57. Have there been any other changes in PHA processes or procedures as a result of SAFMRs? And any cost implications?

58. Has the additional administrative fee provided by HUD for participating in the demonstration been sufficient to cover the up-front switch to SAFMRs and additional transitional or ongoing costs?

Appendix D. Phase 2 Site Visit Draft Data Collection Instruments

D.1 Interview Guide for PHAs – Update

In the Phase 2 site visit interviews with PHAs, we will revisit many of the same topics as discussed during site visit 1 to get updated perceptions of the PHAs' experience with switching to SAFMRs as well as their view of participant and landlord experience with the change in payment standards. We will also conduct interviews with landlords and HCV residents to understand their experiences with switching to SAFMRs.

The following are the draft interview protocols for the landlord, resident, and PHA interviews planned for Phase 2.

D.1.1 Draft Interview Guide for Landlords

INTRODUCTORY SCRIPT

Note that the protocol will be notated and updated to reflect any site-specific considerations (e.g. commonly used terms identified in preparatory conversations with PHAs before the site visits)

As I mentioned over the phone, I'm _______________ from Quadel Consulting working on an Abt Associates research team. We're conducting a research study for the Department of Housing and Urban Development on their Small Area Fair Market Rent policy. We're interested in learning what it's like to be a landlord and work with the housing authority. We've found that a lot of folks talk to tenants, but the landlord perspective is usually overlooked. So we want to learn about your work. We're focusing on how the Small Area Fair Market Rent policy has affected you, but also what it's like for you to work with the housing authority and renting in general.

This is more of an informal conversation than a formal interview. We have been hired to provide an independent research perspective. The [name of PHA] provided us with the contact information for 50 landlords in the [City], and you are one of five that we will be talking to for the study. After we talk to all five of the landlords, we will combine everyone's perspectives into a research report that we will send to HUD that may become available for the general public to read. We may include short quotes or summaries of individual comments from our conversations with landlords, but nothing you say will be attached to your name, your company, or your personal information directly. The [*name of PHA*] does not know which landlords we are interviewing. We hope to get your unfiltered on-the-ground perspective, so your comments will be anonymous and this conversation will be confidential.

I would like to record our conversation because I don't want to take many notes during the interview. This way, I can really concentrate on what you have to say. If you want me to turn the recorder off for any reason or at any time, just say so. No one will hear the recording except for the research team and the assistant who transcribes it. Then, we will erase it. We will take out your name and any other identifying information from the transcript.

Is it okay if I start recording now? *[Get verbal consent].*

A. Background

A1. How long have you been in the rental property business? How did you get into it?

A2. Tell me about the properties you own or manage.

Probes: All properties
How many properties/units do you own/manage?
Where are they?
Tell me all about the buildings (structure, size, quality, condition, number of units)
Tell me all about the locations (neighborhood, neighborhood reputation, proximity to amenities, demographics of neighborhood)

A3. Tell me about your tenants. How do you usually find tenants?

PROBES: marketing strategy, screening, rejections, applications

A4. [*Interviewer, ask if not already discussed:*] Do you currently or have you in the past rented to people with Housing Choice Vouchers (sometimes known as Section 8 or housing vouchers)?

Interviewer: Determine which term landlord is familiar with and use throughout.

Interview: If Yes (currently or formerly had HCV holder tenant), continue with A5; if No, then skip to Section B.

A5. How many units (if any) do you currently rent to Section 8/Housing Choice Voucher holders? About what percentage of all your units does this represent?

A6. Tell me about your thinking when you first decided to accept a Section 8/Housing Choice Voucher holder as a tenant. What went in to that decision?

Probes:
When did that happen (e.g., how long have you been participating in Section 8 / Housing Choice Voucher program)? Was this a result of PHA outreach? If so, what was effective about this PHA recruitment/outreach effort? Could this effort have been improved?
If not, what prompted this? Was it a new tenant approaching you? Or an existing tenant asking you to rent with a voucher?

A7. Do you market specifically to Section 8/Housing Choice Voucher holder tenants? What do you do differently when marketing to voucher holders?

A8. What about the physical unit? What types of characteristics make a unit attractive to Section 8/Housing Choice Voucher holders? Do you do certain types of renovations or advertise particular units or types of units if you're targeting voucher holders?

A9. How hard is it to get a Section 8/Housing Choice Voucher holder tenant? Do they have a lot of choice in your market?

A10. Tell me about Section 8/Housing Choice Voucher holder tenants. How are they different from market rate tenants? What are the advantages and disadvantages of renting to voucher holders?

Probes: behavior, upkeep, length of tenure; assurance that you will get the rent on time, government intervention, tenants, bureaucracy, inspections

B. Understanding of SAFMRs

B1. The [fill in PHA name] sets a payment standard every year that helps determine the maximum amount a housing choice voucher will pay for rent. Before 2011/2013, there was basically one payment standard for each apartment size (by number of bedrooms) for all of [City], with limited exceptions. In 2011/2013, [fill in PHA Name] started to set payment standards based on ZIP Codes. What's your understanding about this change in policy (e.g., that there are now different payment standards for different areas)?

B2. If you knew about this change, how did you learn about it? Did the [fill in PHA name] notify you? How were you notified? Was the notification clear? How did you deal with questions you had about the new payment standards?

Interviewer: if landlord was aware of change in payment standards ask B3, otherwise skip to B4

B3. What did [fill in PHA name] explain to you about the purpose of the change in payment standards? What is your understanding of the intention of the ZIP Code-based payment standards (e.g., to ensure that voucher holders have access to units in a broader range of neighborhoods, including neighborhoods with high-performing schools, low crime rates, and other important amenities)?

Interviewer: if landlord is not familiar with payment standards, skip to section C

B4. How well do the [fill in PHA name] payment standards reflect the market? Are there some types of neighborhoods where the payment standards correctly reflect the market and others where they do not? In what types of neighborhoods do the payment standards correctly reflect the market? In what types of neighborhoods do payment standards not reflect the market? Are payment standards too high or too low in these neighborhoods?

C. Satisfaction with HCV Program

Now I want to switch gears a little and get your perspective of the Section 8/Housing Choice Voucher program in general.

C1. PARTICIPATING LANDLORDS: Tell me about your experience with the Section 8/Housing Choice Voucher program.

> Probes: How satisfied are you with the Section 8/Housing Choice Voucher holder program? What are the major positives and negatives of the program? How have SAFMRs/the change in payment standards affected your interest in the program? How has your satisfaction/dissatisfaction with the program changed over the last several years? [SKIP TO D2]

C2. NON-PARTICIPATING LANDLORDS: Tell me what you know about the Section 8/Housing Choice Voucher holder program.

> Probes: what kind of landlords, tenants, and rental units is the program for? What are the potential positives and negatives of the program from a landlord's perspective? What factors would determine whether a landlord marketed to HCV holders or accepted HCVs? Have you considered marketing to Section 8/Housing Choice Voucher holder tenants? Tell me more about that.

C3. NON-PARTICIPATING LANDLORDS: Have you considered marketing to tenants with Section 8/Housing Choice vouchers? Tell me more about that.

Probes: Have you made a decision not to lease to Section 8/Housing Choice Voucher holders or have you simply not been asked to do so? If you have not yet been asked to participate, would you consider doing so? If not, why not? What changes would be needed to encourage you to do so?

C4. NON-PARTICIPATING LANDLORDS: Have you had any interactions with [PHA name] or gotten any outreach from them regarding the Housing Choice Voucher program? Could improvements to the PHA's recruitment/outreach efforts change whether you marketed to or agreed to rent to tenants with a Housing Choice Voucher? If so, what changes would be necessary?

D. Impact of Changing Payment Standards

D1. NON-PARTICIPATING LANDLORDS: Under the new policy of the [fill in name of PHA], the maximum rent subsidy will vary from one part of the city to another. In areas with higher rents, the PHA will provide a higher rent subsidy and in areas with lower rents, the PHA will provide a lower rent subsidy. The purpose of this change is to ensure the rent subsidies more closely match local market conditions. Tell me about how this change might influence whether or not you market or rent to Housing Choice Voucher tenants?

Interviewer: the rest of this section will only be relevant for participating landlords

D2. What happened (if anything) when [name of PHA] started using new payment standards? Did you have units where the payment standard went up? Where the payment standard went down? What share of units/how many units are in ZIP codes where payment standards went up? Where payment standards went down?

D3. ***For landlords with units in ZIP Codes where payment standards went down:*** What happened to units you own/manage in ZIP Codes where payment standards went down?

Probes: Did the new payment standard fall below the rent you were charging (or would have charged if you were planning to raise the rent)? How have you responded to these declines? For units occupied by HCV holders that have been affected (have had their 2^{nd} annual reexamination); what action(s) did you take (e.g., maintain or reduce the contract rent, change responsibilities for utilities or other costs, notify the tenant of intent to take units out of HCV program for business reasons)?

D4. ***For landlords with units in ZIP Codes where payment standards went up:*** What happened to properties you own/manage in ZIP Codes where payment standards went up?

Probes: Was it easier to find renters? Did you add units to the Housing Choice Voucher program in response to increasing payment standards? Did you change/increase your marketing to Section 8/Housing Choice Voucher holders? Were there any other effects of increasing payment standards on your business? How did it affect the rents you charge?

D5. Have you ever made any rent concessions (e.g., charged what you consider below-market rents) for voucher holders? How often? For what reasons?

Probe: Were these concessions different from those offered to other renters, and if so in what way?

D6. As you probably know, even if the applicable rent falls below the payment standard, the PHA is required to determine if the actual rent being changed is reasonable. These decisions are called "rent reasonableness determinations." Do you think the rent reasonableness determinations the PHA has made are generally fair and reflective of market conditions? Why or why not? For units where you believe the PHA's rent reasonableness determination is not reflective of the market, how do you generally respond (e.g., did this change your decision to rent to a particular household or participate in the program)?

D7. Do you plan to continue to accept Section 8/Housing Choice Voucher holders as tenants for any units? If not, why not? If so, which units? All the units you own/manage, or some of them? How do you determine which units to rent to HCV holders?

E. Conclusion

E1. Is there anything else about being a landlord in [City], working with [PHA], or your experience with the Section 8/Housing Choice Voucher program that you think we should know for our research study?

Thank you for your time and participation.

D.1.2 Draft Interview Guide for HCV Tenants

Introduction

My name is __________ and I am with Quadel Consulting working on a research study for the Department of Housing and Urban Development. Today we will be talking about your experiences with the Housing Choice Voucher program and with neighborhoods in the city. We might end up talking about a few different things, but we will talk mostly about places you've lived, houses and apartments you've rented around here, and those you've thought about renting or living in.

I have some questions prepared, and you might have some things you want to bring up too. So think of this as a conversation, rather than an "interview." You can stop talking at any time. If I raise an issue or ask a question you don't want to talk about, just say so and we will move on to something else. No big deal.

I don't work for [name of PHA]. The [name of PHA] provided us with the contact information for 100 HCV holders in the [City], and you are one of 10 that we will be talking to for the study. After we talk to all of the families, we will combine everyone's perspectives into a research report that we will send to HUD that may become available for the general public to read. We may include short quotes or summaries of individual comments from our conversations with families that receive vouchers in the report, but nothing you say will be attached to your name or personal information directly. Your comments will be anonymous. None of your responses will affect your eligibility for assistance.

I would like to record our conversation because I don't want to take many notes during the interview. This way, I can really concentrate on what you have to say. If you want me to turn the recorder off for any reason or at any time, just say so. No one will hear the recording except for the research team. Then we will erase it. We will take out your name and any other identifying information from the written transcript.

Any questions?

OK, let's start.

Is it okay if I turn on the recorder now? [*Get verbal consent*].

Background/Selection Criteria

Note to interviewer: Prefill this section based on administrative data. Based on this information, assign each household to one of the six household move types in Exhibit 1. Interview questions vary based on household move type. During the interview, please confirm which category the household belongs to. Proceed with the interview using the questions appropriate to the household move type.

A. Voucher receipt year

- ☐ Post-SAFMR voucher recipient (2011 or later for Dallas and Plano; 2013 or later for demonstration PHAs)
  - **a. Neighborhood type**
    - ☐ Low rent ratio
    - ☐ High rent ratio

- ☐ Pre-SAFMR voucher recipient (before 2011 for Dallas and Plano; before 2013 for demonstration PHAs)

b. Move type and neighborhood type

- ☐ Low rent ratio – no move
- ☐ Move from a low rent ratio ZIP to another low rent ratio ZIP
- ☐ Move from a low rent ratio ZIP to a high rent ratio ZIP
- ☐ Multiple neighborhood types and moves (e.g., initial move from a low rent ZIP to a high rent ZIP then back to a low rent ZIP)

B. Household type

- ☐ Senior (62+) or disabled
- ☐ Parent(s) with minor children

Note to interviewer: The goal of the study is to interview households in six categories of Household Move Type (see Exhibit 1). Please check the household type prior to the interview. Interview questions vary according to the Household Move Type.

Exhibit 1: Household Move Type

	Interviewer: Enter 'X' in row for correct household move type
Households who became voucher holders before change to SAFMR (before 2011 for Dallas and Plano; before 2013 for demonstration PHAs)	
Group 1: Same unit – low rent ZIP Code	
Group 2: Mover – low to high rent ZIP Code	
Group 3: Mover – low to low rent ZIP Code	
Group 4: Repeat mover – low to high to low rent ZIP Code	
Households who became voucher holders after change to SAFMR (2011 or later for Dallas and Plano; 2013 or later for demonstration PHAs)	
Group 5: New HCV holder (since implementation) – low rent ZIP Code	
Group 6: New HCV holder (since implementation) – high rent ZIP Code	

*Note to interviewer: For respondents in Dallas and Plano, use **2011** as the year SAFMRs were adopted. For all other respondents, use **2013**.*

A. Housing History

A1. Tell me the story of the place you are **living right now**.

[Interviewer: if the respondent does not volunteer this information, follow up with ALL of these probes: How did you end up here? What was the main reason you ended up here? Is employment a reason why you are living here? When did you move here? Who lives with you? Is anyone in your household elderly? Is anyone in your household disabled?]

A2. If you had to do it over again, would you have chosen this unit [“house” or “apartment”]? What are some things you like about this [house/apartment]? Tell me what you wish you had known about this house/unit before you moved in.

A3. If you had to do it over again, would you have chosen this neighborhood? What are some things you like about this neighborhood? Tell me what you wish you had known about this neighborhood before moving in.

A4. Tell me about your housing choice voucher. We understand that you first received a voucher from *[fill in PHA name]* in *[YEAR]*. Is that correct?

Interviewer: If the respondent has lived at its current address since at least 2010 (for Dallas and Plano) or 2012 (for other PHAs), skip to Question A6. If not, proceed to Question A5.

A5. I’d like to find out about each place you’ve lived since [interviewer, choose one: 2011 (for Dallas/Plano) / 2013 (for other PHAs)]. You’ve already told me about your current place. Where did you live before that?

> Probes: How did you end up there? What was the main reason you moved there? When did you move there? What was the address/ZIP Code/cross streets? Tell me the whole story of how you left that place. Why did you decide to leave?

Interviewer: Repeat A5 as often as necessary to get all units back to either a) unit prior to first receiving a voucher (may have continued to live there upon receiving voucher) OR b) unit at the time SAFMRs were introduced.

A6. I'd like to make sure I have all the details right about the places we've talked about. *[Interviewer, please work with the respondent to complete Exhibit 2, Housing History, working backwards from the current unit to previous units. Stop at a) unit prior to their first voucher unit OR b) their unit the year before the time SAFMRs were introduced.]*

	Location Description (for use in identifying unit, e.g., Andrews St.)	Address/ZIP Code/cross-streets	Dates of Residence	Same ZIP Code as previous unit?	Used Housing Choice Voucher to rent unit?	First Unit Rented with a Voucher?	First Move Since 2011/2013 (Y/N)?
Current unit							
Prior unit #1							
Prior unit #2							
Prior unit #3							

B. Understanding of SAFMRs

Interviewer: Questions B1 to B6 are only for voucher holders who initially received their voucher in 2010 or earlier (for Dallas or Plano) or in 2012 or earlier (for other PHAs), before the change to SAFMRs.

For voucher holders who received their vouchers more recently, after the transition to SAFMRs had already occurred, SKIP TO B7:

READ TO RESPONDENTS: Before starting the next set of questions, I'm going to describe to you what I understand to be a change in the policies of the *[fill in PHA name]* that has occurred since you first got your voucher. You may already know this, and if so, please be patient as I walk through this explanation. The *[fill in PHA name]* sets policies for the housing choice voucher program that determine the maximum amount a housing choice voucher will pay for rent for a 1 bedroom, 2-bedroom, 3-bedroom or larger apartment or house. These maximums are called "payment standards." In the past, the *[name of PHA]* set one payment standard for each apartment or house size (number of bedrooms) for all of their vouchers. [1] Starting in [*2011/2013]*, *[fill in PHA name]* began setting different payment standards for different ZIP Codes in the [name of metropolitan area]. So now for example, a 2-bedroom apartment can have different payment standards depending on the zip code where it is located.

B1. Are you aware that you can rent more expensive apartments in some parts of the city than in others? (Probes: How did you find out about this new rent policy? Did the PHA notify you of this change? If so, how were you notified? What did you understand from the notification? Was the notification clear?)

B2. Do you understand why the *[fill in PHA name]* set the new rent policy? (Interviewer: probe to get at the respondent's understanding of the intention of the ZIP Code-based payment standards)?

B3. Can you tell me what you remember about what the PHA told you about the new rent policy when you attended your annual recertification in *[2011/2013]?* This was right after the new rent policy had been adopted. (Probes: Was any additional information given to you? What additional information did you receive? What kind of things did they give you (e.g., handouts, verbal explanation, referral to a website)? Was information provided to you any other way, such as at a tenant meeting or in a newsletter?)

B4. When you first learned about the new rent policy, did you find it confusing at all? If so, what was confusing? (Probe: Were your questions about the new rent policy answered? When and how were your questions answered (during recertification, during a phone call, with information on the PHA website, other)? Are you still confused at all about the new rent policy?)

B5. Did you get information about the new rent policy from sources other than the PHA, such as other voucher holders? What did you learn from these other sources?

B6. Could the *[fill in PHA name]* have done anything differently to make it easier to understand how the new rent policy works and what it was intended to do? If so, what?

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[1] The study team will verify that the PHA had not used its authority to have multiple payment standards prior to adopting SAFMRs.

Interviewer: Questions B7 to B11 are only for voucher holders who initially received their voucher in 2011 or later (for Dallas or Plano) or in 2013 or later (for other PHAs), so after the change to SAFMR.

For voucher holders who received their vouchers more recently, after the transition to SAFMRs had already occurred, SKIP TO Section C]:

READ TO RESPONDENTS: Before starting the next set of questions, I'm going to describe to you what I understand to be a policy of *[fill in PHA name]*. You may already know this, and if so, please be patient as I walk through this explanation. The *[fill in PHA name]* sets policies for the housing choice voucher program that determine the maximum amount a housing choice voucher will pay for rent for a 1 bedroom, 2-bedroom, 3-bedroom or larger apartment or house. These maximums are called payment standards. The *[fill in PHA name]* sets different payment standards for different ZIP Codes in the [name of metropolitan area], so for example, a 2-bedroom apartment can have different payment standards depending on the ZIP Code where it is located.

B7. Are you aware that you can rent more expensive apartments in some parts of the city than in others? (Probe for whether respondent understood that payment standards varied by ZIP Code.) Did you learn about this from the PHA, from other sources, or both? If from other sources, what were these other sources?

B8. Do you find this policy confusing in any way? If so, what? (Probes: Did you have any questions about the policy when you first learned about it? Were your questions about the rent policy answered? When and how were your questions answered (during re/certification, during a phone call, with information on the PHA website, other)?)

B9. Did you get information about this rent policy from sources other than the PHA, such as other voucher holders? What did you learn from these other sources?

B10. Could the [fill in PHA name] have done anything differently to make it easier to understand how the rent policy works and what it is intended to do? If so, what?

C. MOVE EXPERIENCE AND SEARCH PROCESS

Interviewer: Questions C1 to C7 are only for voucher holders who initially received their voucher in 2010 or earlier (for Dallas or Plano) or in 2012 or earlier (for other PHAs), so before the change to SAFMR, AND who have moved (in Exhibit 1, "Group 2: Mover – low to high rent ZIP Code," "Group 3: Mover – low to low rent ZIP Code, or "Group 4: Repeat mover – low to high to low rent ZIP Code").

For voucher holders who received their vouchers more recently (Groups 5 and 6), after the transition to SAFMRs had already occurred, SKIP TO C8:

I'd like to find out more about your [Interviewer: choose the first permanent move *(e.g., not short-term or temporary) since SAFMR went into effect in their location]* decision to move. This would have been in *[date]* from *[location 1 to location 2]*.

C1. Tell me all about the move from [location 1 to location 2, e.g., Stratton Street to Walnut Ave.]. *[Interviewer: skip any topics that were already discussed in Section A.]*

Probes:

- Did you move to a different ZIP Code?

- Was the rent higher/lower/the same in location 2?
- Why did you move? Tell me all the things that made you want to/need to move:
  - Required by PHA or landlord
  - Required by personal circumstances (health, education, child care, work, family, disability, other)
  - Housing unit (quality of housing unit, size of housing unit, other)
  - Rent was going to increase if I stayed
  - Couldn't afford the rent anymore
  - For a better opportunity (lower crime, better environment, better schools, better access to jobs, to be closer to work, better access to transportation, better access to health care, better access to other community amenities (what?), closer to friends, closer to family, other)
- What would you say was the most important reason why you decided to move? (*Alternate question, if the most important reason is hard for the respondent to discern:* Of all the reasons you decided to move, which do you think might have been the biggest reason?)

Interviewer: (Check prior to interview)

- ☐ *Household moved from a low rent ratio area to a high rent ratio area after SAFMR (Group 2) – ask questions C2-C4 then skip to question C6;*
- ☐ *Household moved from a low rent ratio area to another low rent ratio area (may have stayed in the same ZIP code) after SAFMR (Group 3) – skip to C5;*
- ☐ *Household moved from a low rent ratio area to a high rent ratio area and back to a low rent ratio area after SAFMR (Group 4) – skip to question C7.*

C2. ***Group 2 Households with low rent ratio to high rent ratio move:*** Did the fact that your voucher would allow you to afford a higher rent unit in your new location affect your decision to move? How important was this to your decision to move?

C3. ***Group 2 Households with low rent ratio to low rent ratio move:*** Do you think neighborhoods with higher rents are generally "better" for you and your family? If so, how are they better? Schools? Access to jobs? Safety/crime rate? Environmental quality? Housing quality? Access to other amenities?

Interviewer: If the respondent says no or seems confused about the question, ask the question again, this time filling in the name of the specific neighborhood in place of "neighborhoods with higher rents." Do you think [neighborhood name] is better for you and your family than the neighborhood you lived in before that?

C4. ***Group 2 Households with low rent ratio to high rent ratio move:*** Are there any negatives of living in higher-rent areas like *[insert neighborhood name]* for you and your family? If so, what are those negatives?

C5. ***Group 3 Households with low rent ratio to low rent ratio move:*** Did you consider the fact that your voucher would allow you to afford a higher rent unit in some ZIP Codes when you moved to [*current unit location description, e.g., State Street*]? Did that affect your search for a new unit or your decision to move in any way? If so, how?

C6. Tell me a little about the neighborhood in [*prior unit #1 location description*]. What did you like the best about that neighborhood? What did you like the least? How does the neighborhood in [*current unit*] compare to the neighborhood in [*prior unit # location description*]? How is/was it better? How is/was it worse? What do you like most about your current neighborhood? What do you like least?

C7. Group 4 Repeat Mover Households with low to high to low rent ratio moves: We have already talked about your move to [location description of current unit]. Now I would like to ask you to about your move to [prior unit #1 location description].

- When you moved in *[move year]* to *[prior unit #1 location description, e.g., Washington Street]*, did you move to a different ZIP Code? If yes, do you know if rents there were generally higher or lower? Tell me all the things that made you want to move. *If this is the last move (to the current unit*), *ask:* Are you happy with your decision to move/the location of your new unit? What do you like/dislike about it? Do you plan to move within the next year?
- Now I'd like to ask you about your move in to [prior unit #2 location description.] When you moved in *[move year]* to *[prior unit #2 location description, e.g., Appleton Road]*, did you move to a different ZIP Code? If yes, was it higher or lower rent? Tell me all the things that made you want to move. *If this is the last move (to the current unit), ask:* Are you happy with your decision to move/the location of your new unit? What do you like/dislike about it? Do you plan to move within the next year?

Interviewer: Questions C8 to C10 are only for voucher holders who initially received their voucher in 2011 or later (for Dallas or Plano) or in 2013 or later (for other PHAs), so after the change to SAFMR AND who have moved (in Exhibit 1, "Group 5: New HCV holder – low rent ZIP Code," and "Group 6: New HCV holder – high rent ZIP Code").

For voucher holders who initially received their voucher earlier and for voucher holders who have never moved, skip to Section D.

C8. Can you tell me about when you first got your voucher? Did you decide to move right away, or did you decide to stay where you were and use your voucher to lease in place? How did you make that decision? What were the main things that went into that decision?

When you (eventually) moved, tell me about that decision.

Probes:

- Did you move to a different ZIP Code?
- What were rents like in the place you moved to? Were they higher, lower, or about the same as the rents in the neighborhood you lived in before receiving the voucher?
- Tell me all the things that made you want to/need to move:
  - Required by PHA or landlord
  - Required by personal circumstances (health, education, child care, work, family, disability, other)
  - Housing unit (quality of housing unit, size of housing unit, other)
  - Couldn't afford the rent anymore

- Voluntary for a better opportunity (lower crime, better environment, better schools, better access to jobs, better access to transportation, better access to health care, better access to other community amenities (what?), closer to friends, closer to family, other)

- What would you say was the most important reason why you decided to move? *(Alternate question, if the most important reason is hard for the respondent to discern:* Of all the reasons you decided to move, which do you think might have been the biggest reason?)

C9. Did the PHA's policy of having different payment standards for different neighborhoods affect your decision to move? How important was this? Do you think you would have moved even without the higher payment standards? Would you have moved to the same apartment?

C10. Tell me a little about the neighborhood in *[prior unit #1 location description]*. What did you like the best about that neighborhood? What did you like the least? How does the neighborhood in *[current unit]* compare to the neighborhood in *[prior unit # location description]?* How is/was it better? How is/was it worse? What do you like most about your current neighborhood? What do you like least?

Interviewer: Questions C11 to C13 are only for voucher holders who have moved according to the Housing History in Section A. These voucher holders can be in any of Groups 2 through 6. To facilitate the discussion, start by looking at a map of the area with the respondent that shows neighborhoods.

I'd like to find out more about your search process when you decided to move from *[location 1]* to *[location 2] [Interviewer: choose the first permanent move (e.g., not short-term or temporary) since SAFMR went into effect in their location]*. This would have been in *[date]* from [*location 1 to location 2].*

C11. Tell me about your search for a new unit.

Probes:

- How did you go about searching for a house or apartment [at the time you moved to location 2]?
- Looking at the map, show me the places you looked at during your search. How did you decide where to look?
- Looking at the map, were there neighborhoods you wanted to look at but didn't? What were the reasons you didn't look at those neighborhoods? Can you tell me about them? What were all the things that made you want to look at these places?
- [*Interviewer: prior to the interview, identify higher-rent neighborhoods in the PHA's jurisdiction.*] Did you *consider* looking for a unit in [*names of specific areas*] with higher rents? Why/why not?
- Did you *actually* look for a unit in [*names of specific areas*] with higher rents? Why/why not?

- Were you familiar with [*names of specific areas*] with higher rents? Have you been there before? Did you know how to get there?

C12. What assistance did the [*fill in PHA name*] give you in helping you search for a new unit? (Probe for list of participating landlords, information about neighborhoods, maps, search tips, counseling from PHA staff?) Did this assistance include helping to identify or pursue units in ZIP Codes with higher payment standards? If so, how?

C13. Did the landlord you now rent from know about the HCV program before you moved in? Had he/she rented to HCV holders in the past? If he/she was unfamiliar with the program, were you able to explain it? Did the landlord give you any trouble about having a voucher? If so, what kind of trouble? Before finding your current unit, did you contact any landlords who refused to accept the voucher? If so, did they tell you why they refused?

D. Experience with SAFMRs

Interviewer: Questions D1 to D2 are only for voucher holders who initially received their voucher in 2010 or earlier (for Dallas or Plano) or in 2012 or earlier (for other PHAs), so before the change to SAFMR (in Exhibit 1, Groups 1-4).

For voucher holders who received their vouchers more recently, after the transition to SAFMRs had already occurred (Groups 5 and 6), SKIP TO E1:

D1. In the last few years when your lease/housing contract has come up for an annual review, do you recall whether the payment standard for the unit you were living in ever went down? (Probe if needed to clarify: were you told by your landlord that you would need to pay more in rent in order to stay in your unit because of a change in the PHA's rent policy?) Y/N If so, by how much? Which unit were you living in at the time? *[IF YES, continue to D2. IF NO, skip to D6.]*

D2. *If the payment standard went down*: When was that? It looks like you were living in [*unit location description*] (from Housing History) when the payment standard went down. I'm interested in knowing how that change in payment standard might have affected your rent or anything else about your experience. Could you tell me the whole story about what happened at that time? [*Interviewer: record whether the resident seemed to understand the questions and have confidence in their answers.*]

Prompts:

- Did the amount you had to pay for rent change? Did it go up or down?
- Did other housing-related costs change (e.g., payments for utilities or lawn service)? Did these go up or down? What was that like for you? What effect did this have for you and your family?
- Do you know whether the amount of rent the landlord received from the [insert PHA name] change?
    - Tell me about whether you discussed this with the landlord? How did this happen? Did the landlord ever suggest that you should move or leave?
- Did you decide to move?

E. STAYERS – people who have NEVER MOVED

Interviewer: Section E is only for voucher holders who have not moved according to the Housing History in Section A, Group 1 and some members of Groups 5 and 6.

E1. You said you *[leased in place/have not moved]* since *[SAFMRs were implemented/you first received your housing voucher].*

E2. Did you/do you think about moving since you received your voucher? If so, approximately when was this?

IF Yes (considered moving), continue to E3, otherwise skip to E8:

E3. What made you decide to stay here?

Probes:

- Found a unit, but it didn't work out (why? Related to inspection, or rent reasonableness, or other?)
- Couldn't find a landlord willing to rent to you
- Ran out of time
- Changed mind for other reasons (what?)

E4. Were moving-related expenses such as a security deposit a factor in your decision not to move? How important was this factor?

E5. If there is an elderly and/or disabled member of your household, was this a factor in your decision not to move? If so, how did it factor into your decision?

E6. If there is a school-age child in your household, was this a factor in your decision not to move? If so, how did it factor into your decision?

E7. ***[For respondents who have thought about moving]*** Did you take any specific steps to search for a unit? If so, what kinds of things have you done to search for a new unit?

- ☐ Look at apartment listings
- ☐ Visit the neighborhood
- ☐ Visit units
- ☐ Talk to friends or family about moving
- ☐ Call landlords
- ☐ Other (what:________________________)
- ☐ Nothing

Experience with Search Process

If respondent reported making search efforts in E7, continue to E8, otherwise skip to E14:

E8. What made/makes you want to consider a move? Were higher payment standards in some neighborhoods a factor? (Probes: Schools? Access to jobs? Safety/crime rate? Environmental quality? Housing quality? Access to other amenities? Other?)

E9. Has the *[fill in PHA name]* given you any assistance in helping you search for a new unit? Did this assistance include helping to identify or pursue units in [*names of specific areas with higher rents*]? If so, how?

E10. Looking at the map, did you search for a new unit in [*names of specific areas with higher rents*]?

IF Yes (searched in higher-rent ZIP Code), continue to E11, otherwise skip to E13:

E11. What was your experience with searching for a unit in [*names of specific areas with higher rents*]? What were your primary sources of information about available units?

E12. Did the landlords you contacted know about the HCV program? Had any of the landlords rented to HCV holders in the past? If the landlords were unfamiliar with the program, were you able to explain it? Did the landlords give you any trouble about having a voucher? Did the landlords accept the voucher?

IF No (did not search in higher-rent ZIP Code):

E13. What kept you from searching for a unit in [*names of specific areas with higher rents*]? Where did you search instead? Why?

Future move decisions

E14. Are you considering a move in the future? Y/N

E15. ***If Yes, considering moving:*** What are your reasons for considering a move in the future?

Probes:

- Will be required by PHA or landlord
- Will be required by personal circumstances (health, education, child care, work, family, disability, other)
- Housing unit (quality of housing unit, size of housing unit, other)
- Purely voluntary for a better opportunity (lower crime, better environment, better schools, better access to jobs, better access to transportation, better access to health care, better access to other community amenities (what?), closer to friends, closer to family, other)
- To move to a better neighborhood with higher payment standards

F. Demographics

I have just a few final questions for you to make sure we have all of our details right.

F1. How do you identify yourself?

- ☐ White
- ☐ Black
- ☐ Mixed
- ☐ Hispanic
- ☐ Asian
- ☐ Other

F2. Tell me about how far you got in school.

Probe:

- – High School completion? GED?
- – Training programs?
- – College classes?

F3. Are you currently working? Did you work for pay last week? If yes, about how many hours per week do you usually work? How much are you paid by the hour (or if not paid by hour ask for wages for other time period). If you are not currently working, when would you say was the last time (month/year) when you worked for pay?

F4. Who lives in your household with you? (number of adults and children) What are the ages of your children? *[to identify special considerations in the decision to move]*

F5. Interviewer: Indicate gender of respondent: ________.

D.1.3 Draft Interview Guide for PHAs

A.1 Phase 2: PHA Background and Experience with SAFMR Transition

A.1.1 Experience with Transition to SAFMRs

I'd like to start by asking about you and your experience with the SAFMR demonstration.

1. [IF THE PERSON IS NEW TO THE STUDY] What is your background and experience with the organization? [IF PREVIOUSLY INTERVIEWED] Have you had any changes in your role with the agency since we met last year?

2. [*Begin by summarizing what we understood from the Phase 1 site visit.*] In general, how has your experience with the transition to SAFMRs changed since our last visit [on *date*]? What, if anything, has become more difficult? What, if anything, has become easier/more routine?

3. Are there any changes outside of the PHA that may have influenced your HCV program over the last year? For example, changes in state or local housing policy?

A.1.2 Background Information

4. *[Refer to pre-populated table, PHA Background Information]* Has anything changed since our conversation last year in terms of basic background information on your PHA?

PHA Background Information

Data item	Explanation
Cities/counties served by the HCV program:	(List cities or counties)
Jurisdiction in square miles:	(Miles)
Current payment standard by ZIP code	(Complete payment standard schedule for all bedroom sizes and all ZIP codes for the current year)
Number of tenant-based vouchers under lease at end of last FY by type	(Number of regular, VASH, FUP, enhanced vouchers, etc.)
Current number of tenant-based vouchers under lease:	(Number)
Budget utilization rates:**	(Percent = HAP dollars spent / HAP budget allocated)
At end of FY 2016 (if available):	
At end of FY 2015:	
At end of FY 2014:	
At end of FY 2013:	
At end of FY 2012:	
At end of FY 2011:	
At end of FY 2010:	
At end of FY 2009:	
Current budget utilization rate:	
Unit utilization rates:**	(Percent = units under lease / units allocated)
At end of FY 2016 (if available):	
At end of FY 2015 (if available):	

Data item	Explanation
At end of FY 2014:	
At end of FY 2013:	
At end of FY 2012:	
At end of FY 2011:	
At end of FY 2010:	
At end of FY 2009:	
Current unit utilization rate:	
Software used to submit PIC data:	(Name of software)

*Special vouchers include: homeownership vouchers, VASH, FUP, Mainstream 1, Mainstream 5, non-elderly disabled, tenant protection, disaster voucher.

**Source: VMS (Voucher Management System)

5. How has the housing market changed since our visit last year (prompts: vacancy rates, rents)? How are these changes affecting voucher holders?

6. *[Refer to table, PHA Background Information]* Based on our information, it looks like your budget utilization rate from 2009-2016 has [stayed the same, gone up, gone down]. Is this right? What do you think are the primary reasons for this change [for the stability in this rate over time]? [probe for other reasons]

[If the respondent volunteers SAFMRs] How do you think the switch to SAFMRs may have affected your budget utilization rate? Did SAFMRs have a large effect as compared to other factors? What factor had the largest effect? Have any impacts related to SAFMRs dissipated over time? If not, why not?

[If the respondent does not volunteer SAFMRs] Do you think the switch to SAFMRs may have affected your budget utilization rate? Why or why not? [If the respondent agrees they may have had an effect, ask whether the effect of the switch to SAFMRs was large or small compared to other factors.] What factor had the largest effect on budget utilization rates over this time? Have any impacts related to SAFMRs dissipated over time? If not, why not?

7. *[Refer to table, PHA Background Information]* Based on our information, it looks like your unit utilization rate from 2009-2016 has [stayed the same, gone up, gone down]. Is this right? What do you think are the primary reasons for this change over time [for the stability in this rate over time]? [probe for other reasons]

[If the respondent volunteers SAFMRs] How do you think the switch to SAFMRs may have affected your unit utilization rate? Did SAFMRs have a large effect as compared to other factors? What factor had the largest effect? Have any impacts related to SAFMRs dissipated over time? If not, why not?

[If the respondent does not volunteer SAFMRs] Do you think the switch to SAFMRs may have affected your unit utilization rate? Why or why not? [If the respondent agrees they may have had an effect, ask whether the effect of the switch to SAFMRs was large or small compared to other factors.]

What factor had the largest effect on unit utilization rates over this time? Have any impacts related to SAFMRs dissipated over time? If not, why not?

A.1.3 Participant Experience (from the PHA perspective)

8. Is there any remaining confusion among families who have been awarded a voucher about what rent they can afford in different neighborhoods under the SAFMR policy? How has voucher holders' understanding of the policy changed over the last year? Have you changed your approach to explaining the policy? If so, how?

9. Have you seen any change since last year in where voucher recipients search? Are they more likely to search in areas of opportunity? Have you seen changes in where they lease up? Are they more likely to lease up in areas of opportunity? If not, why not?

10. Have you made any changes since last year in search assistance to voucher recipients in areas where payment standards increased after SAFMRs were implemented? Have you made any changes since last year in assistance to households that live in areas where the payment standard decreased after SAFMRs were implemented?

11. Has your policy regarding the amount of time voucher recipients have for their initial search changed since last year? To what do you attribute any changes in the time needed for voucher recipients' initial search (market, SAFMRs, other)?

12. Has it become more or less difficult in the past year for participants to find units to rent that meet program requirements? If so, why? To what do you attribute changes (market, SAFMRs, other)? If not, why not? Does this vary by neighborhood?

13. *[Refer to pre-populated table, Voucher Success Rates]* According to the information you provided prior to our visit, voucher success rates from 2012-2016 are in the table below. Are these correct? What factors do you think account for the changes in voucher success rates over this period? [probe for other reasons, e.g., sequestration, change in market conditions]

[If the respondent volunteers SAMFRs] How do you think the switch to SAFMRs may have affected voucher success rates? Did SAFMRs have a large effect as compared to other factors? What factor had the largest effect? Has the impact of SAFMR been different for new voucher recipients and existing voucher holders? If so, what are the differences? Have any impacts related to SAFMRs dissipated over time? If not, why not?

[If the respondent does not volunteer SAFMRs] Do you think the switch to SAFMRs may have affected voucher success rates? Why or why not? [If the respondent agrees they may have had an effect, as whether the effect of the switch to SAFMRs was large or small compared to other factors.] What factor had the largest effect on budget utilization rates over this time? Have any impacts related to SAFMRs dissipated over time? If not, why not?

*Voucher Success Rates**

PHA Fiscal Year	PHA estimate of success rate
2012	
2013	
2014	
2015	
2016	

*The success rate is defined as the percentage of new voucher holders that successfully lease a qualifying unit in the program.

14. Has there been a change in the last year in the rate at which existing HCV participants move? If so, what effect is that? Is this different for different types of HCV participants (e.g., disabled, elderly, those with children)? Has the rate of moving increased in particular types of neighborhoods, such as areas where SAFMRs have gone up or gone down? If not, why not? To what do you attribute this (SAFMRs, change in administrative procedures, market, other)?

15. Has there been a change in the last year in where existing HCV participants who choose to move end up leasing up? If so, what effect is that? Is this different for different types of HCV participants (e.g., disabled, elderly, those with children)? If not, why not? To what do you attribute this (SAFMRs, change in administrative procedures, market, other)?

16. Thinking about people who have moved to opportunity areas since the switch to SAFMRs, have households generally stayed there? If so, why? To what extent do households move to opportunity areas and then later move back to lower-rent areas?

17. Thinking about tenants who were in ZIPs where payment standards have decreased due to SAFMRs, how have they responded? Have they left the program? Have their landlords accepted lower rents? Have their out-of-pocket costs increased – if so, how and for what reasons? How else have they responded? What is the frequency of each of these outcomes?

18. Has there been a change over the past year in the number of involuntary moves as a result of SAFMRs? If so, how has it changed and what are the reasons for this?

19. Has your experience over the past year led you to draw any new conclusions about how SAFMRs may have impacted residents? If so, what are those conclusions? What experience led you to draw these new conclusions?

A.1.4 Landlord Experience (from the PHA perspective)

20. Over the last year, has the PHA done any additional outreach to landlords in opportunity areas? If so, why? What type of outreach? How has this changed from prior outreach? If not, why not?

21. Are there remaining challenges to explaining SAFMRs to landlords? Have complaints from landlords related to SAFMRs gone down or up over the last year? Why do you think that is? How much PHA staff time have landlord complaints related to SAFMRs taken to address over the last year?

22. Have you added new landlords to the program over the last year in areas where payment standards have increased? In areas where payment standards have decreased? If so, how many? Is this more or less than you added in other years since introduction of SAFMRs? Why do you think that is?

23. Have you lost landlords over the last year in areas where payment standards decreased? In areas where payment standards have increased? If so, how many? Is this more or less than you lost in other years since introduction of SAFMRs? Why do you think that is?

24. What other reactions have landlords had over the last year in areas where payment standards decreased? Have landlords in areas experiencing a sizable decrease in payment standards renewed their leases at lower rents? Shifted costs to tenants (if so, what)? Why or why not?

25. Have you noticed any changes in neighborhood development patterns that might be related to SAFMRs since they were implemented? For example, more development in higher-opportunity areas and less development in lower-opportunity areas? Or changes in the types of development? If so, what changes have you noticed? Are these changes related to SAFMRs in any way? For example, do SAFMRs affect the development of RAD, tax credit, and other properties? If so, how? Have you observed or heard that SAFMRs are affecting private development? If so, how? How big are these effects?

A.2 Phase 2: PHA Costs of SAFMR Transition

A.2.3 Potential Impacts on Systems and Admin Plans from Implementing SAFMRs

26. *Interviewer: The table "Potential one-time impacts" should be pre-populated with information from site visit 1.* Column 1 summarizes our understanding of one-time costs from our last site visit. Please review our summary to see if the figures match your general understanding of the one-time costs of moving to SAFMRs. If you think any of the numbers are incorrect, we'd appreciate it if you would correct the table so we have as accurate an understanding as possible. Have any additional one-time expenditures been required since last year because of SAFMRs? If so, describe these modifications and complete the table [Potential one-time impacts]. [*Note to interviewer: Confirm with the PHA staff member that expenditures and staff hours are directly related to SAFMRs. Leave out expenditures and staff hours not directly related to SAFMRs.*]

Potential one-time impacts

SAFMR-related change	Site visit 1 review		Additional or corrected information		
	Total cost expenditures reported during site visit 1	Staff hours reported during site visit 1	Additional/Corrected cost expenditures	Additional/corrected staff hours needed	Titles of staff performing work
PHA Administrative Plan	$______________ _ Examples of expenditures:		$_____________ __ Examples of expenditures:		
PHA Plan	$______________ _ Examples of expenditures:		$_____________ __ Examples of expenditures:		
PHA system of record	$______________ _ Examples of expenditures:		$_____________ __ Examples of expenditures:		

Other automated tools: *list* (e.g., rent reasonableness) _______________ ___	$_______________ _ Examples of expenditures:		$______________ __ Examples of expenditures:		
Other automated tools: *list* _______________ ___	$_______________ _ Examples of expenditures:		$______________ __ Examples of expenditures:		
Other automated tools: *list* _______________ ___	$_______________ _ Examples of expenditures:		$______________ __ Examples of expenditures:		

For impacts where there has been a change since last year, please describe these.

A.2.4 Potential Transitional Impacts from Implementing SAFMRs

27. *Interviewer: The table "Potential transitional impacts" should be pre-populated with information from site visit 1.* Column 1 summarizes our understanding of transitional costs from our last site visit. Transitional costs are costs expected to be incurred during the 1-2 year period of transition to SAFMRs. Please review our summary to see if the figures match your general understanding of the one-time costs of moving to SAFMRs. If you think any of the numbers are incorrect, we'd appreciate it if you would correct the table so we have as accurate an understanding as possible. Have any additional transitional expenditures been required since last year because of SAFMRs? If so, describe these corrections and/or additional expenditures and complete the table. [*Note to interviewer: Confirm with the PHA staff member that expenditures and staff hours are directly related to SAFMRs. Leave out expenditures and staff hours not directly related to SAFMRs.*]

Potential transitional impacts

	Site visit 1 review		Additional or corrected information		
SAFMR-related change	**Total cost expenditures reported during site visit 1**	**Staff hours reported during site visit 1**	**Additional or corrected cost expenditures**	**Additional/ corrected staff hours needed**	**Titles of staff performing work**
Process of establishing payment standards	$_____________ Examples of expenditures:		$_____________ Examples of expenditures:		
Process of determining rent reasonableness data	$_____________ Examples of expenditures:		$_____________ Examples of expenditures:		
Requests for CRAs or extended contract rent negotiations	$_____________ Examples of expenditures:		$_____________ Examples of expenditures:		

Additional requests from voucher holders for extended search time	$____________ Examples of expenditures:		$____________ Examples of expenditures:		
HQS Inspector productivity	$____________ Examples of expenditures:		$____________ Examples of expenditures:		
PHA communication and outreach strategy and materials	$____________ Examples of expenditures:		$____________ Examples of expenditures:		
Support for tenants	$____________ Examples of expenditures:		$____________ Examples of expenditures:		
Support for landlords	$____________ Examples of expenditures:		$____________ Examples of expenditures:		
Quality assurance processes	$____________ Examples of expenditures:				
Other: *list* ________________	$____________ Examples of expenditures:		$____________ Examples of expenditures:		

For impacts where there has been a change since last year, please describe these.

28. Have the impacts of SAFMRs discussed during Site Visit 1 dissipated over time? How and why?

29. ***For PHAs not known to be administering a mobility program:*** Have you started a mobility program in the last year? If so, how was this related to the shift to SAFMRs?

30. ***For PHAs administering a mobility program****:* How have SAFMRs affected your mobility program? Has the switch to SAFMRs changed the level of effort associated with providing support for tenants (e.g., encouraging them to move to opportunity areas, helping tenants understand the implications of reductions in payment standards in some areas)?

31. What other costs have you incurred as a result of the transition to SAFMRs? Have impacts of SAFMRs been permanent, or have they dissipated over time? What additional costs, if any, have gone up on a permanent basis?

32. Have any costs decreased as a result of the transition to SAFMRs? (E.g. rent reasonableness costs?) If so, what costs are these? How and why have they changed?

A.2.5 Other Program Costs

33. ***Interviewer: See the pre-populated table, "Per-unit HAP costs."*** Based on our information, it looks like your per-unit HAP costs from 2012-2016 have [stayed the same, gone up, gone down]. Is this right? How do you think SAFMRs have affected per-unit HAP costs? Have changes been a result of changes in contract rents for voucher units, changes in payment standards, changes in household income or a combination of these? Please explain. What other factors have affected per-unit HAP costs over the same time period? How important are these factors relative to SAFMRs?

Per-unit HAP costs, 2 bedroom

PHA Fiscal Year	Abt estimate of per-unit HAP costs (2- bedroom units)	Abt estimate of per-unit HAP costs (all units)
2012		
2013		
2014		
2015		
2016		

34. Have any new staff been hired specifically to handle increased workload related to SAFMRs? To perform what function(s)? When was this person(s) hired? Full-time or part time? What is their total compensation (annual salary plus fringe)?

A.2.6 Conclusion

35. Have there been any other changes in PHA processes or procedures as a result of SAFMRs? If so, what are the cost implications of these changes?

36. What advice do you have for other PHAs implementing SAFMRs? Do you think the benefits of adopting SAFMRs have outweighed the costs? If so, why?

Appendix E. Chapters 4, 5, and 7 Cluster Analyses

Exhibit E-1: Comparison Cluster Table

Small Area Fair Market Rent Public Housing Agency	Comparison Cluster(s)
Laredo	Cluster 2
Mamaroneck	Cluster 4
Chattanooga	Cluster 5
Cook County	Cluster 6
Long Beach	Cluster 7
Dallas	Clusters 5 and 6
Plano	Clusters 5 and 6

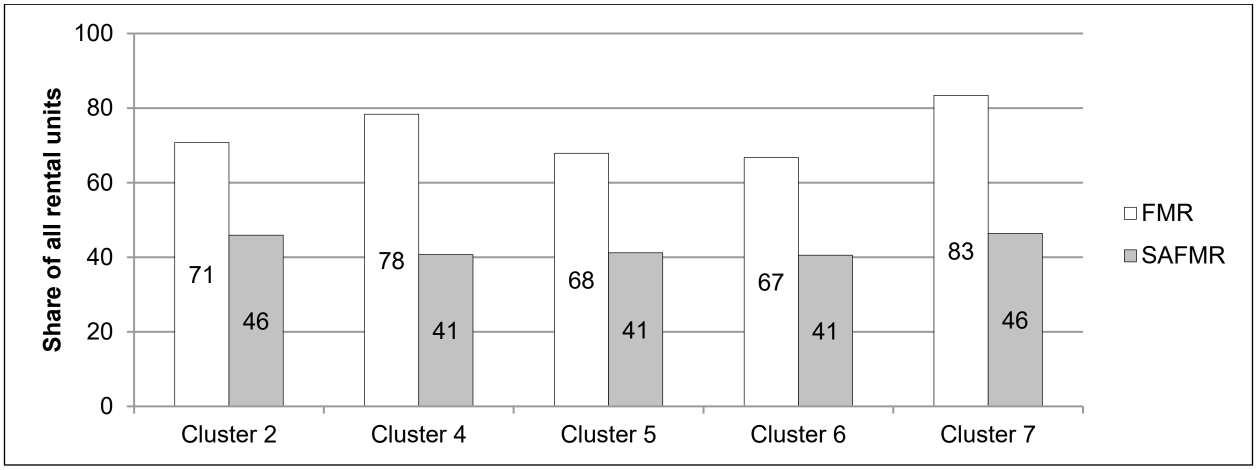
Exhibit E-2: Rental Units and ZIP Codes by Rent Ratio, by Comparison Cluster (Corresponds to Exhibit 4-1)

			Rent Ratio					
		n	< 0.9		0.9–1.1		> 1.1	
Cluster 2	Units (%)	1,469,289	314,731	21%	814,382	55%	340,176	23%
	ZIP Codes (%)	691	170	25%	342	49%	179	26%
Cluster 4	Units (%)	1,155,434	251,473	22%	496,709	43%	407,363	35%
	ZIP Codes (%)	367	70	19%	153	42%	144	39%
Cluster 5	Units (%)	6,654,848	1,479,591	22%	3,775,731	57%	1,399,525	21%
	ZIP Codes (%)	2020	457	23%	997	49%	566	28%
Cluster 6	Units (%)	2,291,603	659,636	29%	1,118,690	49%	513,276	22%
	ZIP Codes (%)	673	154	23%	311	46%	208	31%
Cluster 7	Units (%)	680,520	251,976	37%	255,185	37%	173,358	25%
	ZIP Codes (%)	182	55	30%	69	38%	58	32%

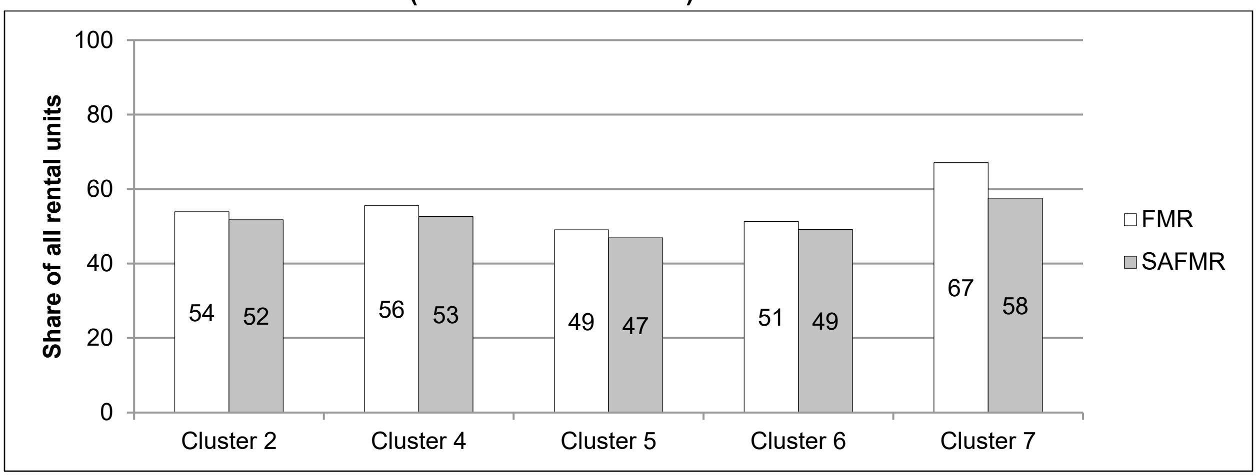
Notes: Analysis data set includes all ZIP Codes in public housing agency service areas where Small Area Fair Market Rents are implemented. Percentage of total counts for each row in parentheses.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 Small Area Fair Market Rents; 2012 American Community Survey 5-year estimates (total rental units)

Exhibit E-3: Share of Rental Units Below SAFMR and Metropolitan Area FMR, by Comparison Cluster (Corresponds to Exhibit 4-3)

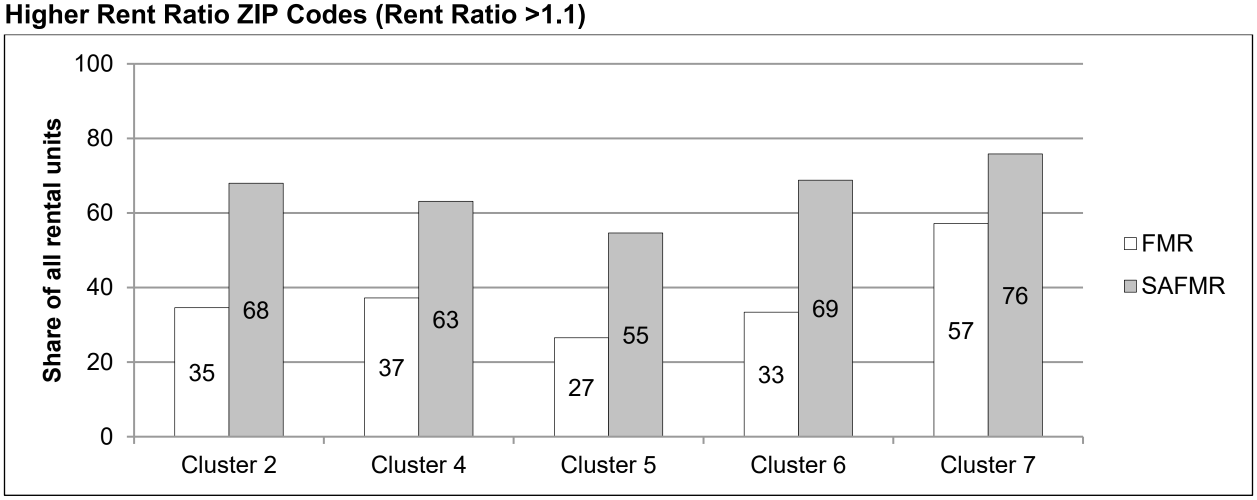
Lower Rent Ratio ZIP Codes (Rent Ratio < 0.9)



Moderate Rent Ratio ZIP Codes (0.9 < Rent Ratio < 1.1)



Higher Rent Ratio ZIP Codes (Rent Ratio >1.1)



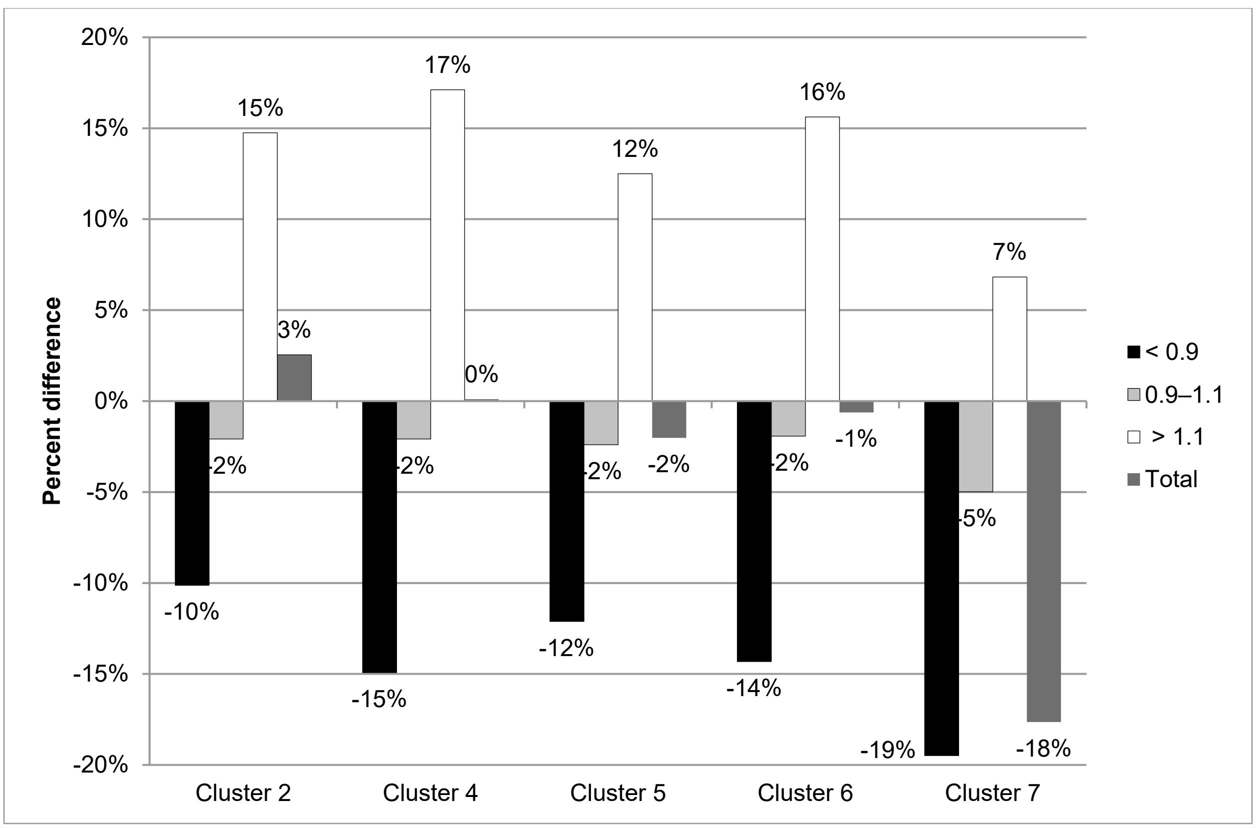
FMR = Fair Market Rent. SAFMR = Small Area Fair Market Rent.
Sources: HUD FY2015 FMRs; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units)

Exhibit E-4: Comparison of Total Units With Rents Below the SAFMR and Metropolitan Area FMR, by Comparison Cluster (Corresponds to Exhibit 4-5)

	Total Units With Rents Below FMR, All ZIP Code Rent Ratios (1,000s)		Difference (1,000s)	Percentage Change, SAFMR Versus FMR
	SAFMR	FMR		
Cluster 2	798	780	– 18	2%
Cluster 4	621	625	4	– 1%
Cluster 5	3,145	3,227	82	– 3%
Cluster 6	1,171	1,186	15	– 1%
Cluster 7	395	481	85	– 18%

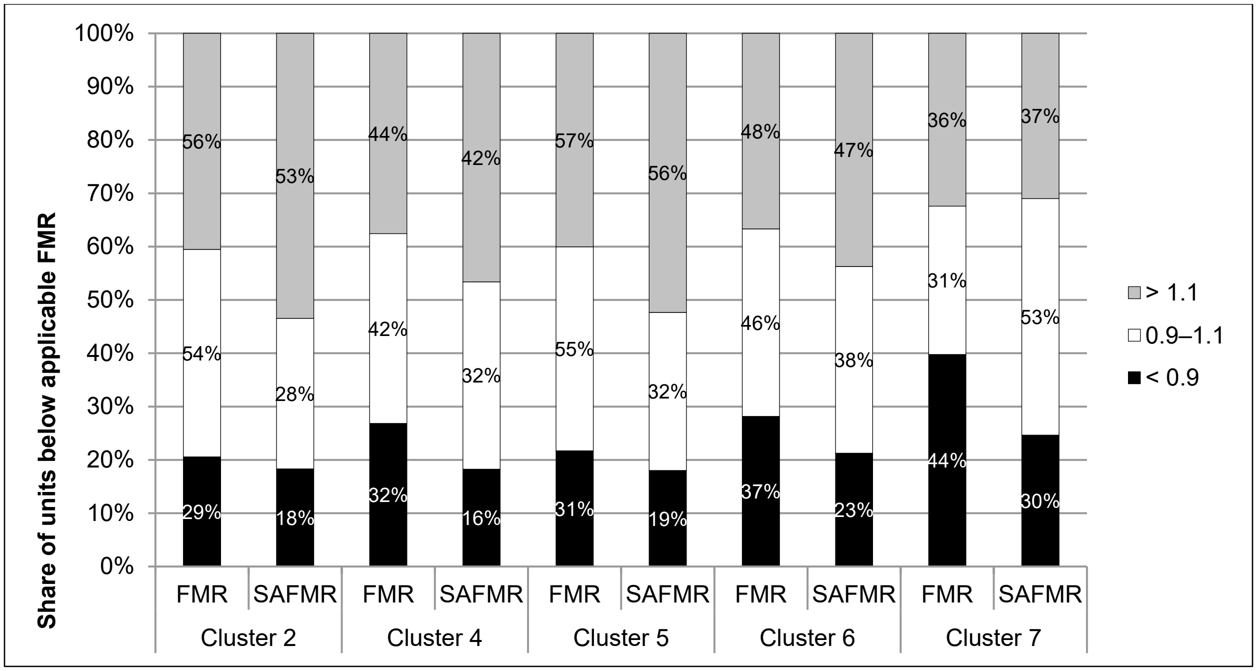
FMR = Fair Market Rent. SAFMR = Small Area Fair Market Rent.
Note: Analysis data set includes all ZIP Codes in public housing agency service areas where SAFMRs are implemented.
Sources: HUD FY2015 FMRs; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units)

Exhibit E-5: Difference in Units With Rents Below SAFMR and Metropolitan Area FMR as a Percentage of Units With Rents Below FMR by Rent Ratio, by Comparison Cluster (Corresponds to Exhibit 4-6)



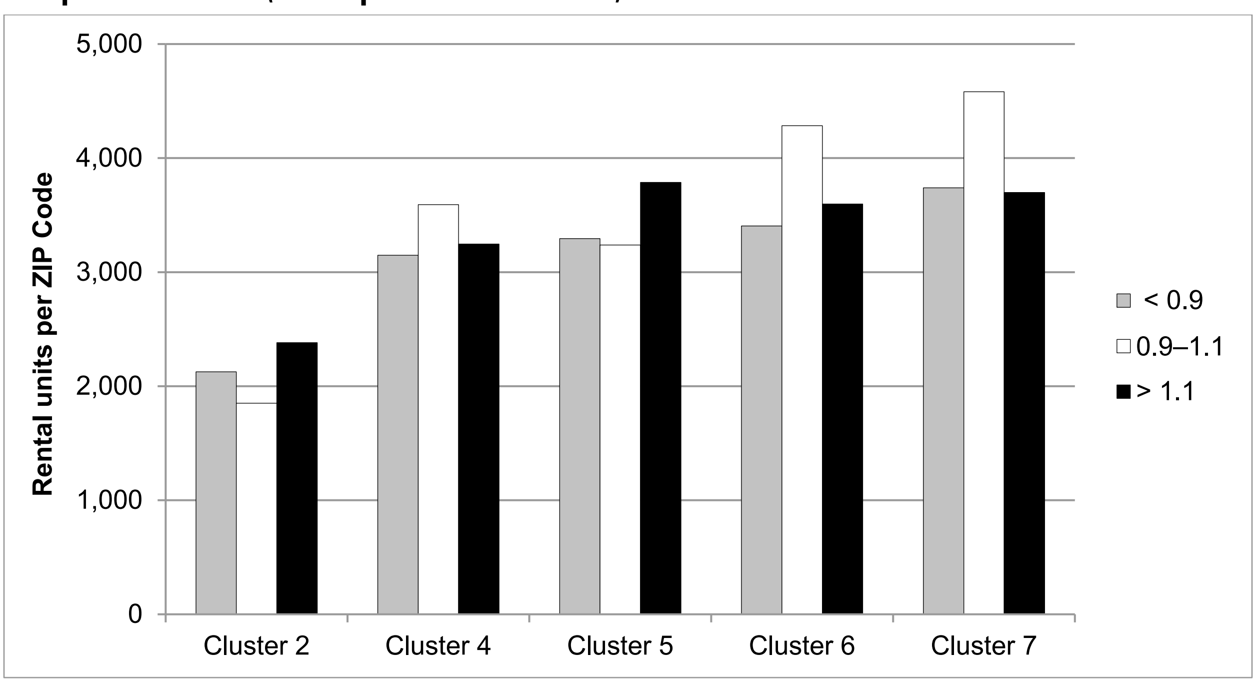
FMR = Fair Market Rent. SAFMR = Small Area Fair Market Rent.
Note: Analysis data set includes all ZIP Codes in public housing agency service areas where SAFMRs are implemented.
Sources: HUD FY2015 FMRs; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units)

Exhibit E-6: Distribution of Units With Rents Below Applicable FMR by ZIP Code Rent Ratio, by Comparison Cluster (Corresponds to Exhibit 4-7)



FMR = Fair Market Rent. SAFMR = Small Area Fair Market Rent.
Note: Analysis data set includes all ZIP Codes in public housing agency service areas where SAFMRs are implemented.
Sources: HUD FY2015 FMRs; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units)

Exhibit E-7: Average Number of Rental Units per ZIP Code by Rent Ratio Category, by Comparison Cluster (Corresponds to Exhibit 4-8)



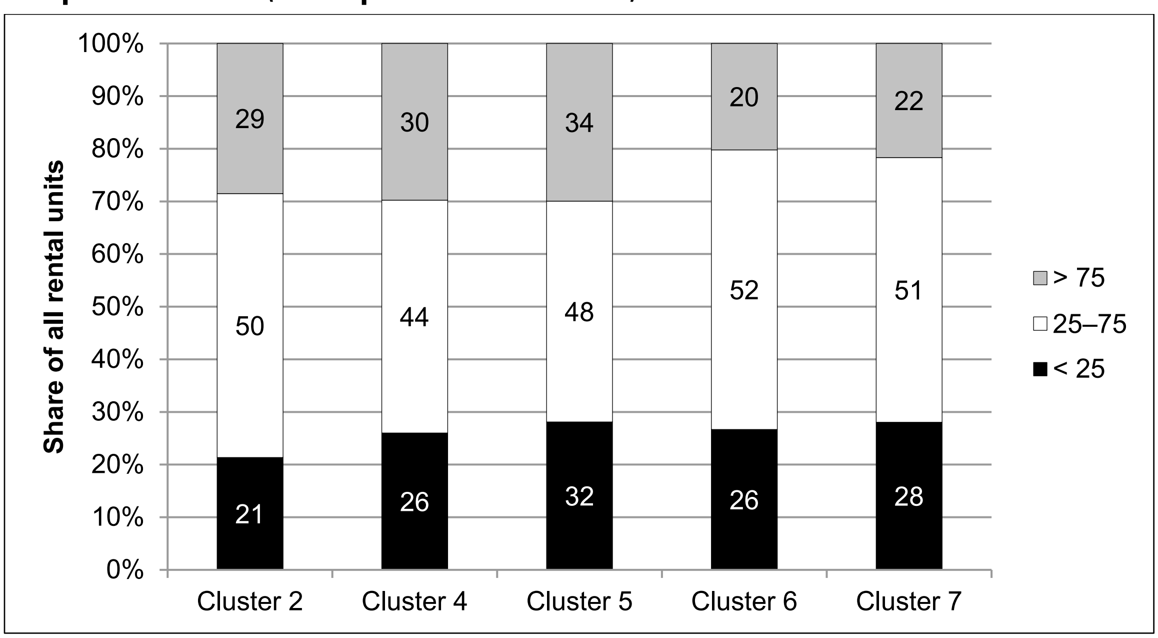
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 Small Area Fair Market Rents; 2012 American Community Survey 5-year estimates

Exhibit E-8: Analysis Sample for Determining Share of Units With Rents Below SAFMR and Metropolitan Area FMR by Overall Index Category by Comparison Cluster (Corresponds to Exhibit 4-10)

		n	Overall Index Category		
			< 25	25–75	> 75
Cluster 2	Units	1,469,140	313,619	736,719	418,803
	ZIP Codes	690	90	313	287
Cluster 4	Units	1,155,545	300,386	511,089	344,071
	ZIP Codes	367	45	139	183
Cluster 5	Units	6,654,848	2,142,377	3,194,423	1,318,047
	ZIP Codes	2,020	450	931	639
Cluster 6	Units	2,291,603	599,027	1,193,344	499,232
	ZIP Codes	673	107	287	279
Cluster 7	Units	680,520	191,900	343,974	144,645
	ZIP Codes	182	34	76	72

FMR = Fair Market Rent. SAFMR = Small Area Fair Market Rent.
Sources: HUD FY2015 FMRs; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units); 2014 ACS 5-year estimates (poverty rate/percent nonpoor); School Proficiency Index, 2011–2012 (HUD Open Data); Job Proximity Index, 2010 (HUD Open Data); Environmental Health Hazard Index, 2005 (HUD Open Data)

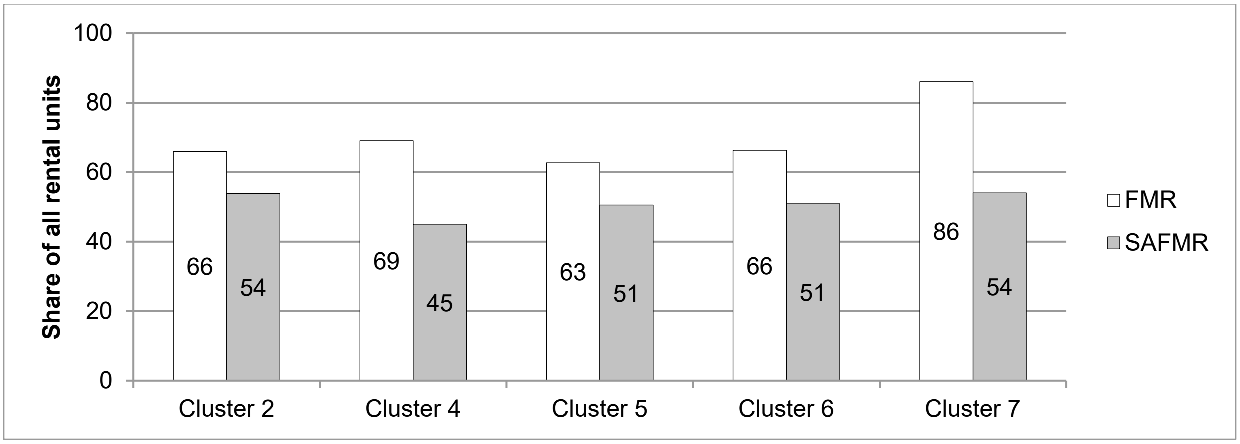
Exhibit E-9: Share of All Rental Units Across Overall Opportunity Index Categories by Comparison Cluster (Corresponds to Exhibit 4-13)



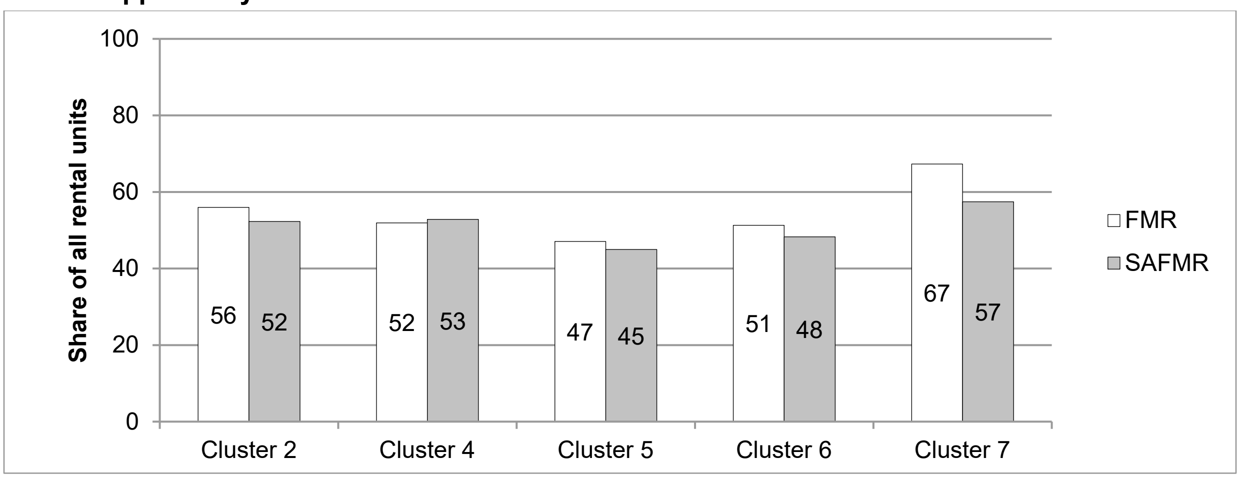
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 Small Area Fair Market Rents; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units); overall opportunity index

Exhibit E-10: Share of Units Below FMR and SAFMR in ZIP Codes by Overall Opportunity Index by Comparison Cluster (Corresponds to Exhibit 4-14)

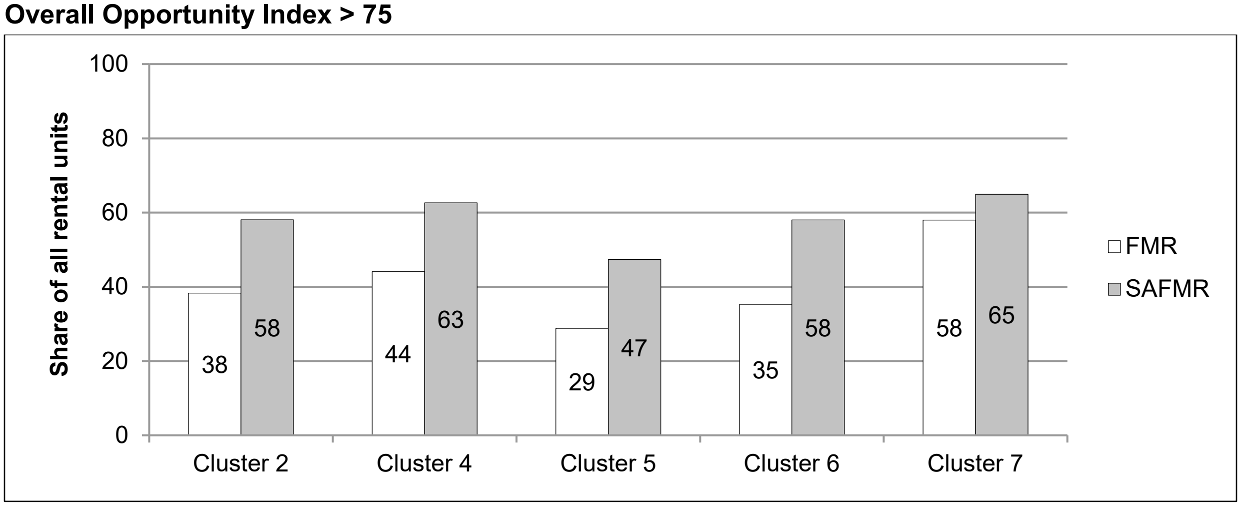
Overall Opportunity Index < 25



Overall Opportunity Index 25–75



Overall Opportunity Index > 75



FMR = Fair Market Rent. SAFMR = Small Area Fair Market Rent.

Note: All ZIP Codes in public housing agency service areas where SAFMRs are implemented.

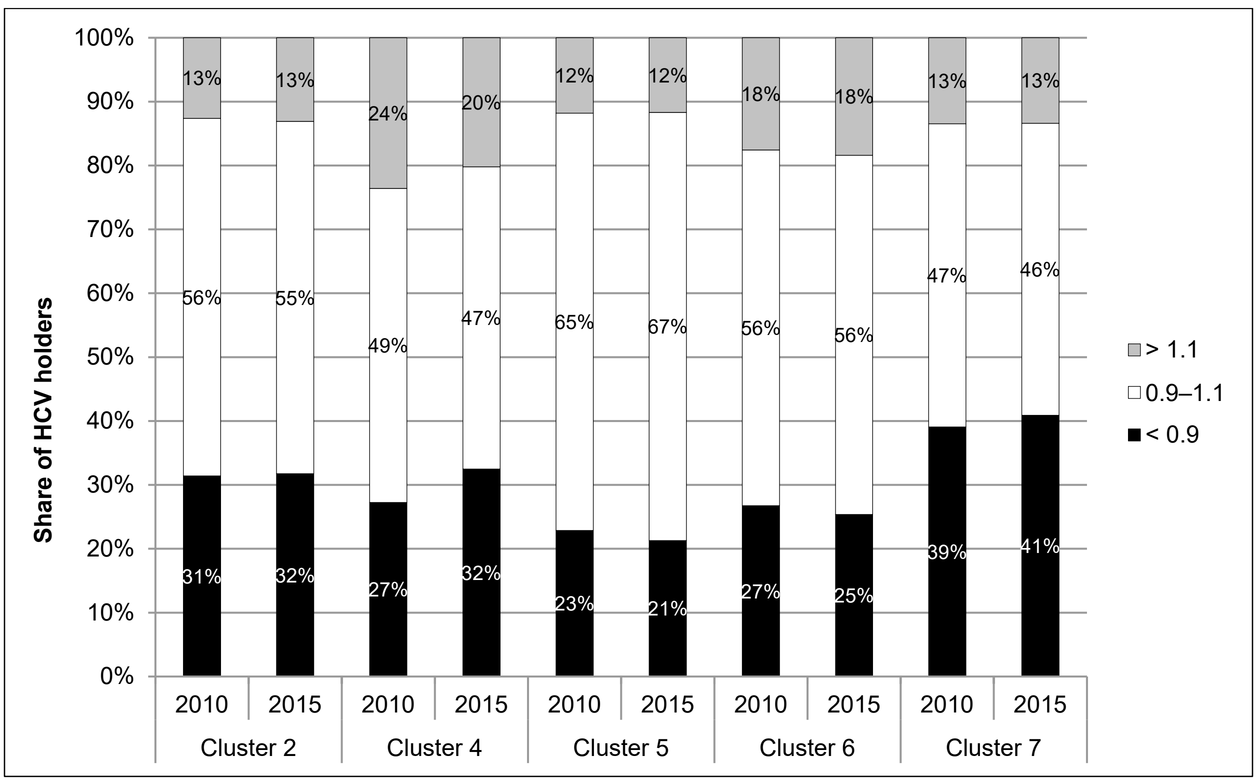
Sources: HUD FY2015 FMRs; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units)

Exhibit E-11: Number of HCV Holder Households in Analysis Sample by ZIP Code Rent Ratio by Comparison Cluster (Corresponds to Exhibit 5-1)

HCV Holder Households by Rent Category	Rent Ratio Category						Total	
	< 0.9		0.9–1.1		> 1.1			
	2010	2015	2010	2015	2010	2015	2010	2015
Cluster 2	15,199	15,513	27,081	26,959	6,101	6,396	48,381	48,868
Cluster 4	9,580	10,221	17,287	14,890	8,292	6,354	35,159	31,465
Cluster 5	77,483	70,353	221,450	221,495	40,056	38,626	338,989	330,474
Cluster 6	26,783	25,509	55,763	56,539	17,582	18,487	100,128	100,535
Cluster 7	15,250	16,856	18,525	18,843	5,259	5,515	39,034	41,214

HCV = housing choice voucher.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 Small Area Fair Market Rents (rent ratio calculation); HUD Public and Indian Housing Information Center administrative data extract (counts)

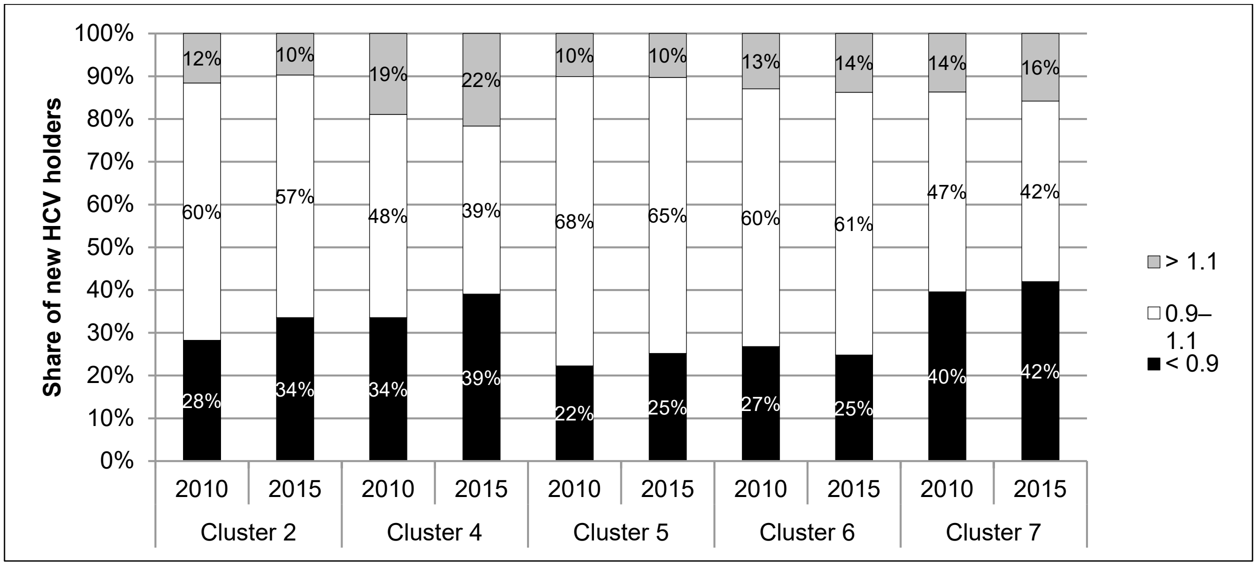
Exhibit E-12: Share of HCV Holders by Rent Ratios in ZIP Codes Where They Live Before and After SAFMRs by Comparison Cluster (Corresponds to Exhibit 5-4)



HCV = housing choice voucher. SAFMR = Small Area Fair Market Rent.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 SAFMRs (rent ratio calculation); HUD Public and Indian Housing Information Center administrative data extract (counts)

Exhibit E-13: Distribution of Rent Ratios by Site for All SAFMR PHAs—New HCV Holders and ZIP Code Movers by Comparison Cluster (Corresponds to Exhibit 5-5)

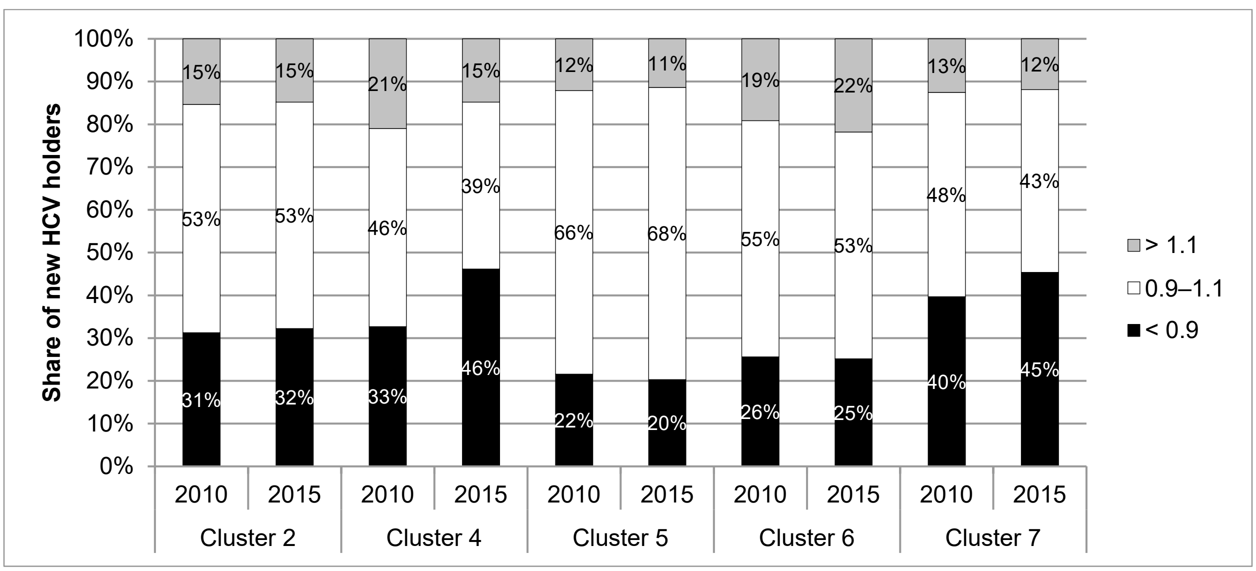
New HCV Holders



Note: The following table reports the number of new households (in the 2 years ending in the year listed) in each site by year.

	Cluster 2	Cluster 4	Cluster 5	Cluster 6	Cluster 7
2010	5,933	3,348	48,425	10,924	3,109
2015	7,092	3,141	38,260	12,043	3,624

ZIP Code Movers



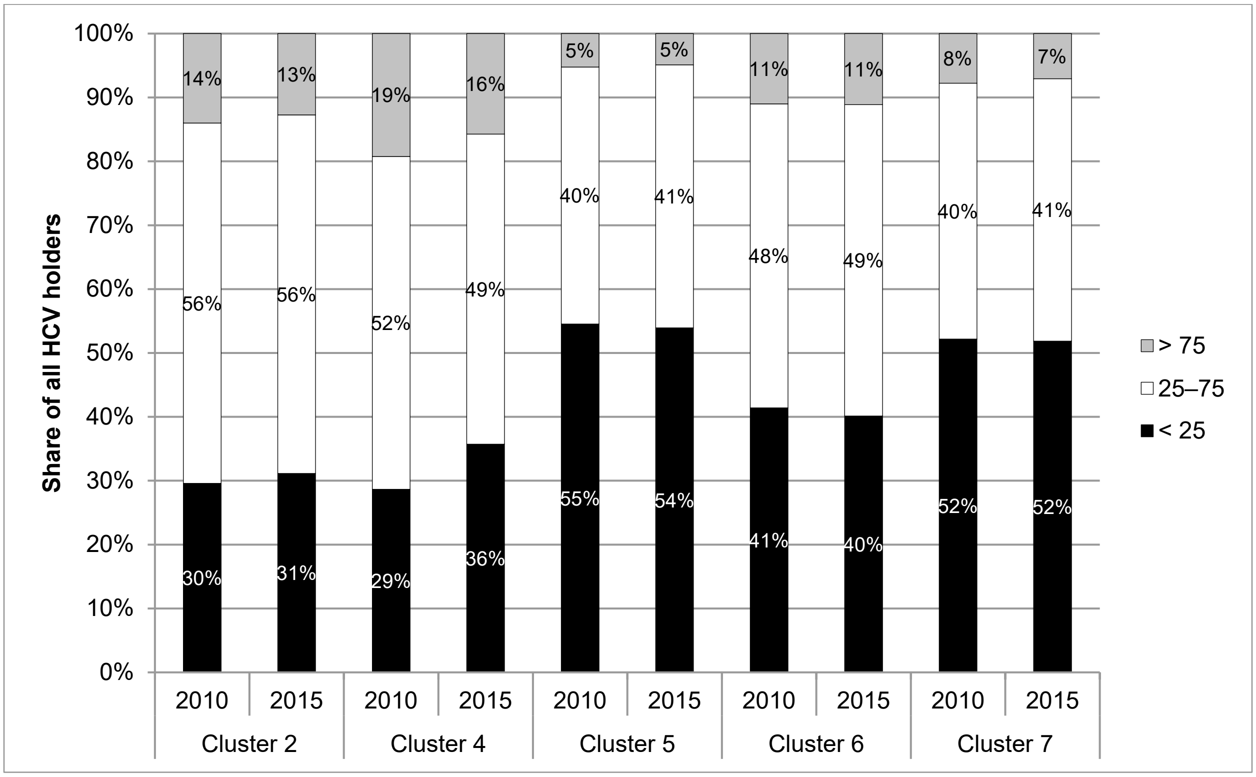
Note: The following table reports the number of ZIP Code movers (in the 2 years ending in the year listed) in each site by year.

	Cluster 2	Cluster 4	Cluster 5	Cluster 6	Cluster 7
2010	7,318	4,029	81,447	18,638	8,042
2015	6,209	2,835	63,110	16,165	6,927

HCV = housing choice voucher. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.

Sources: HUD FY2015 Fair Market Rents; HUD FY2015 SAFMRs (rent ratio calculation); HUD Public and Indian Housing Information Center administrative data extract (shares)

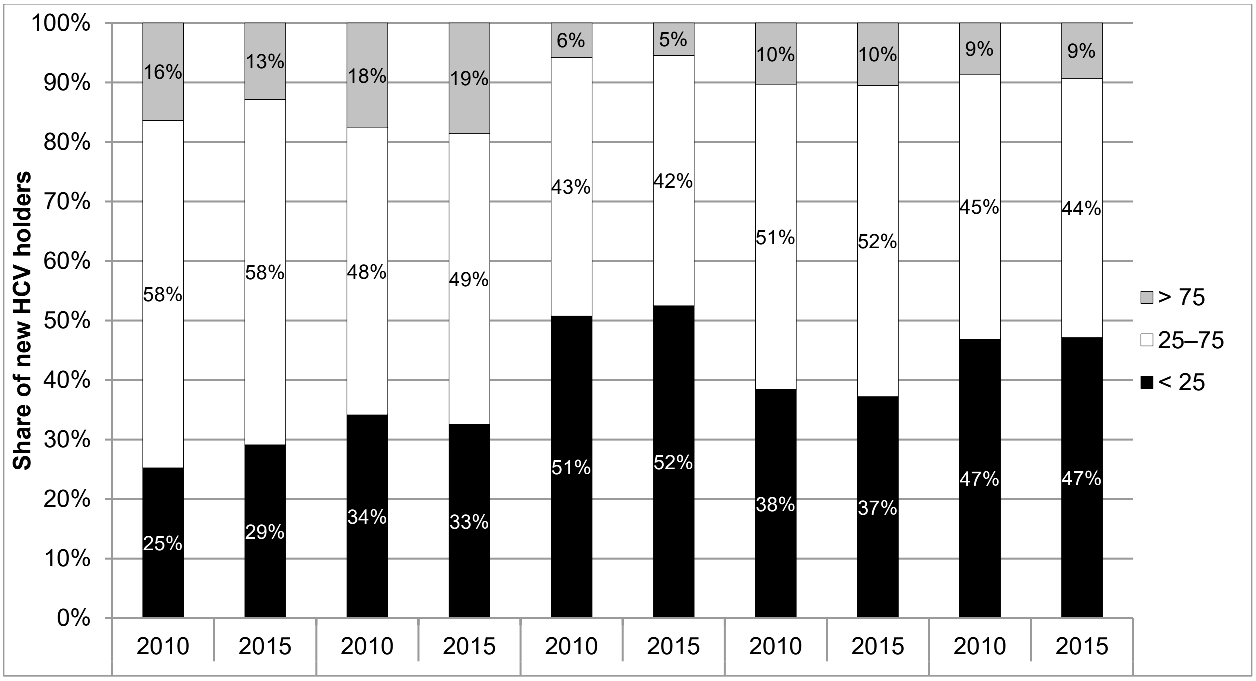
Exhibit E-14: Distribution of Opportunity Index for All HCV Holders—by SAFMR PHA (Corresponds to Exhibit 5-10)



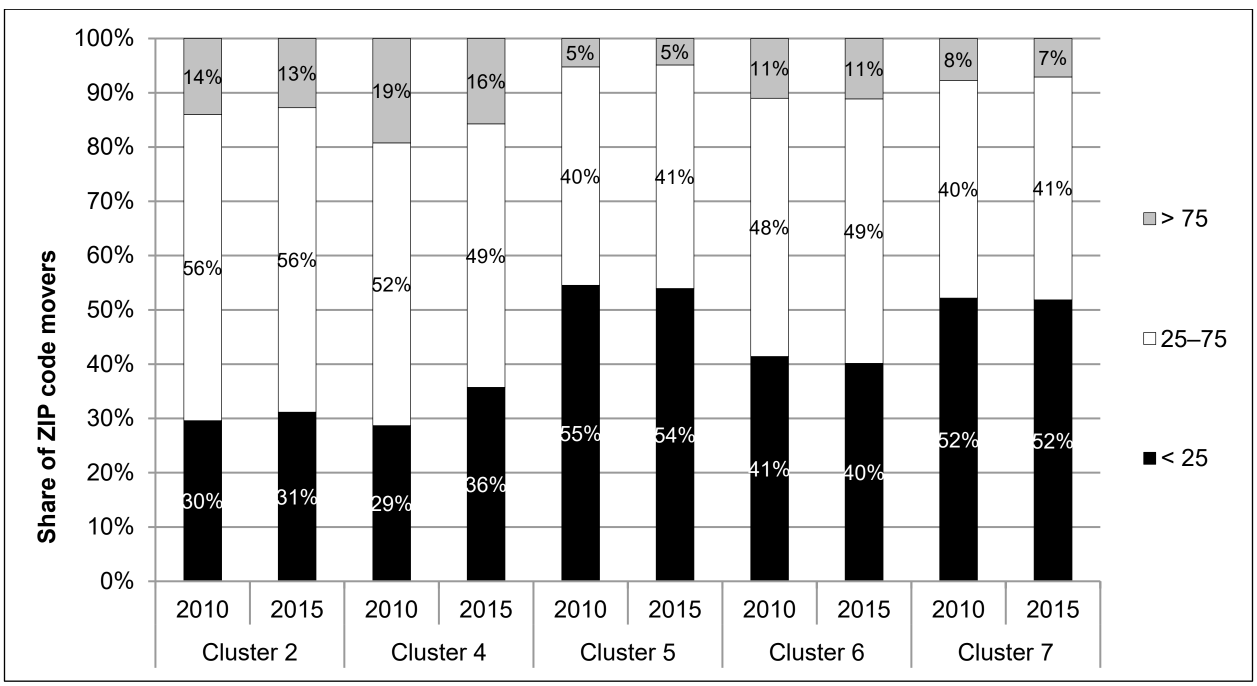
HCV = housing choice voucher. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units); HUD PIC administrative data extract (counts); overall opportunity index

Exhibit E-15: Distribution of Opportunity Index by SAFMR PHA—New and ZIP Code Mover Households by Comparison Cluster (Corresponding to Exhibit 5-11)

New Households



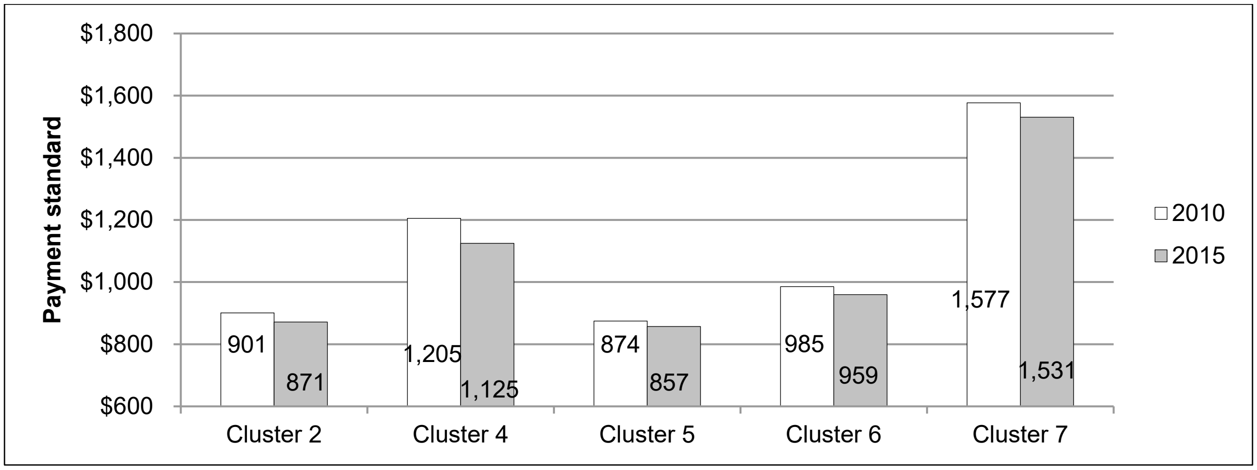
ZIP Code Movers



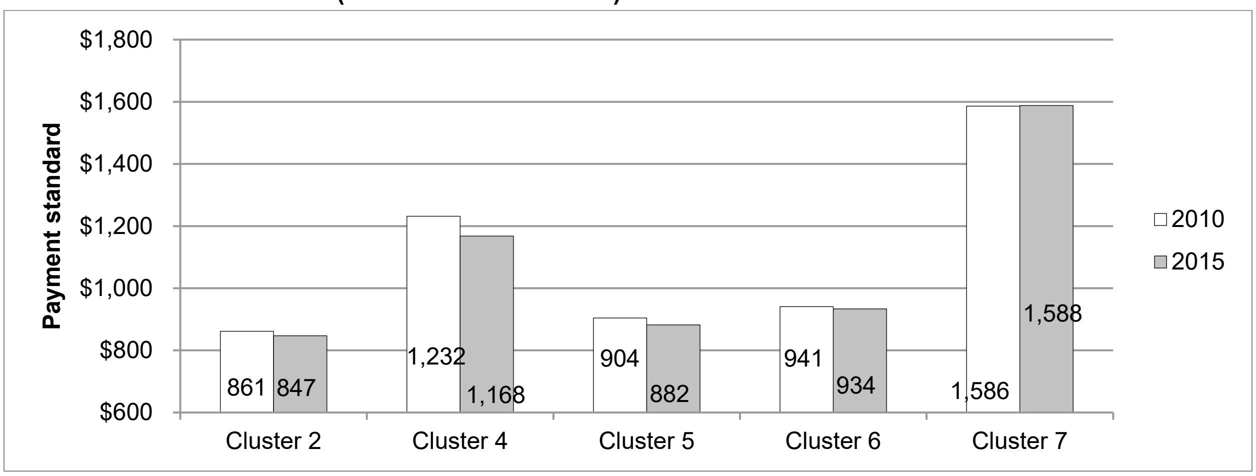
HCV = housing choice voucher. PHA = public housing agency. SAFMR = Small Area Fair Market Rent.
Sources: HUD FY2015 Fair Market Rents; HUD FY2015 SAFMRs; 2012 American Community Survey (ACS) 5-year estimates (special tabulation for HUD of rent and rental units by ZIP Code Tabulation Area); 2012 ACS 5-year estimates (total rental units); HUD Public and Indian Housing Information Center administrative data extract (counts); overall opportunity index

Exhibit E-16: Payment Standards by Rent Ratio by Comparison Cluster (Exhibit 7-2)

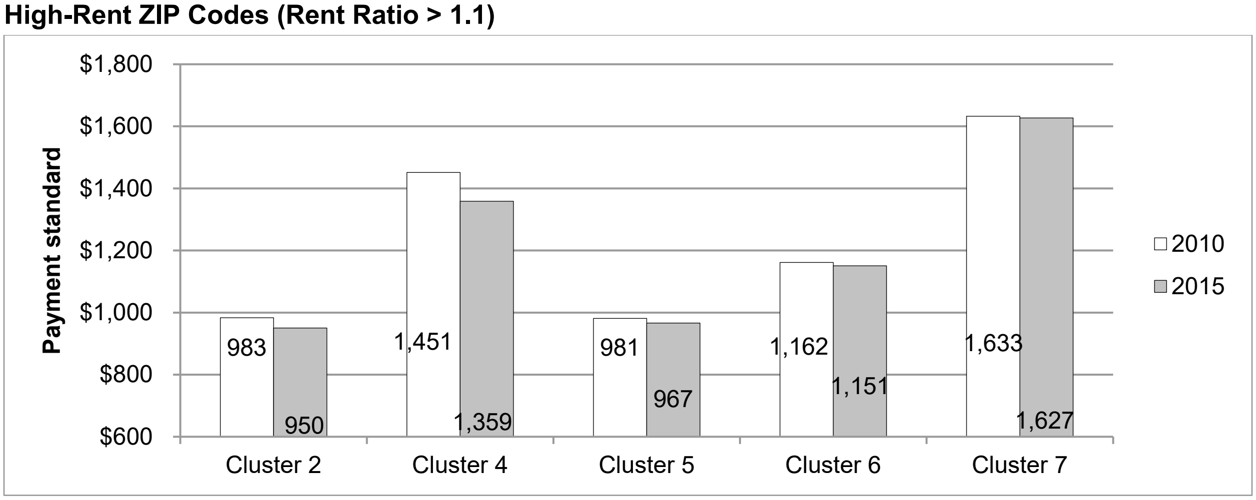
Low-Rent ZIP Codes (Rent Ratio < 0.9)



Moderate-Rent ZIP Codes (0.9 < Rent Ratio < 1.1)



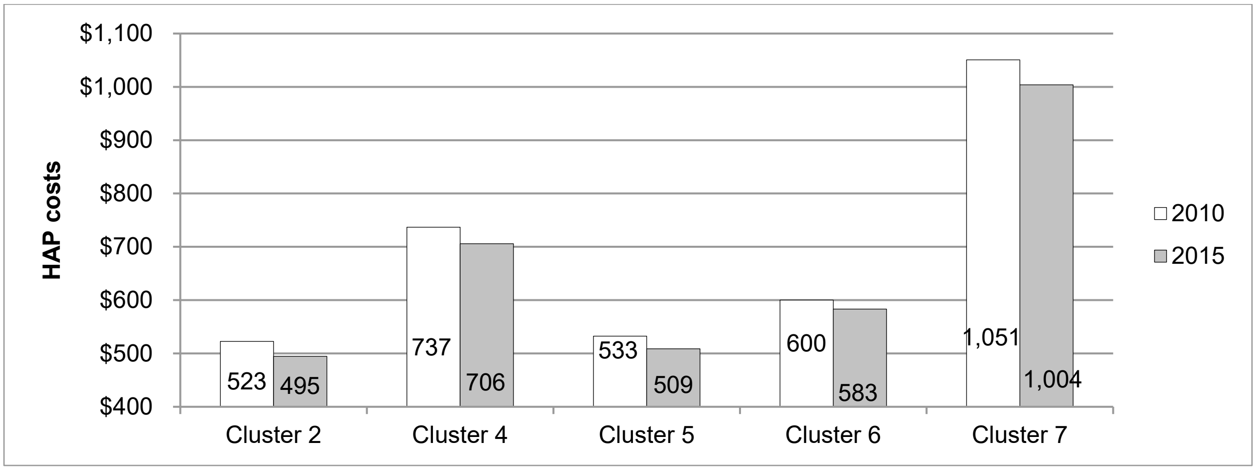
High-Rent ZIP Codes (Rent Ratio > 1.1)



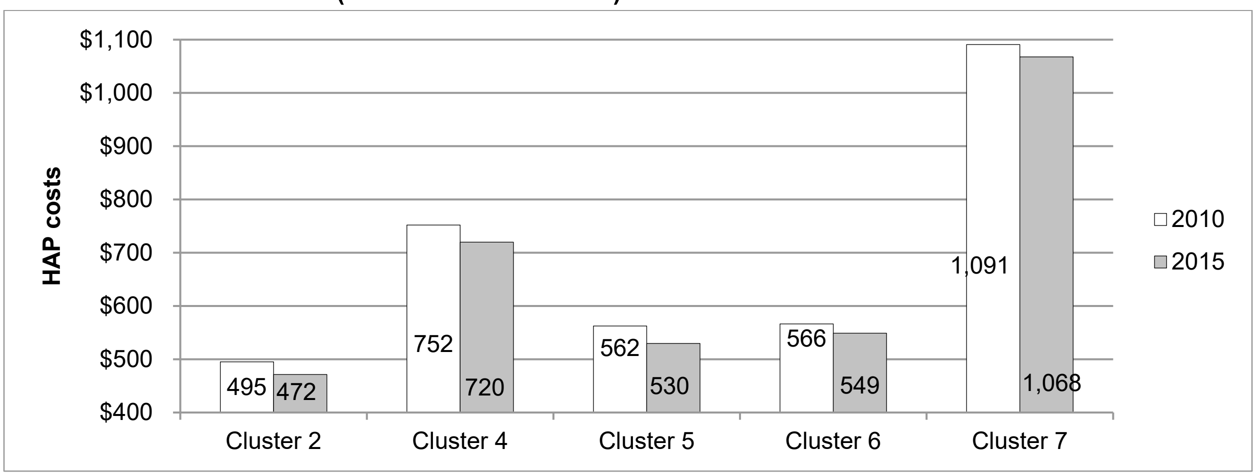
Sources: FY2015 Fair Market Rents; HUD FY2015 Small Area Fair Market Rents; HUD Public and Indian Housing Information Center administrative data

Exhibit E-17: HAP Costs by Comparison Cluster (Corresponds to Exhibit 7-4)

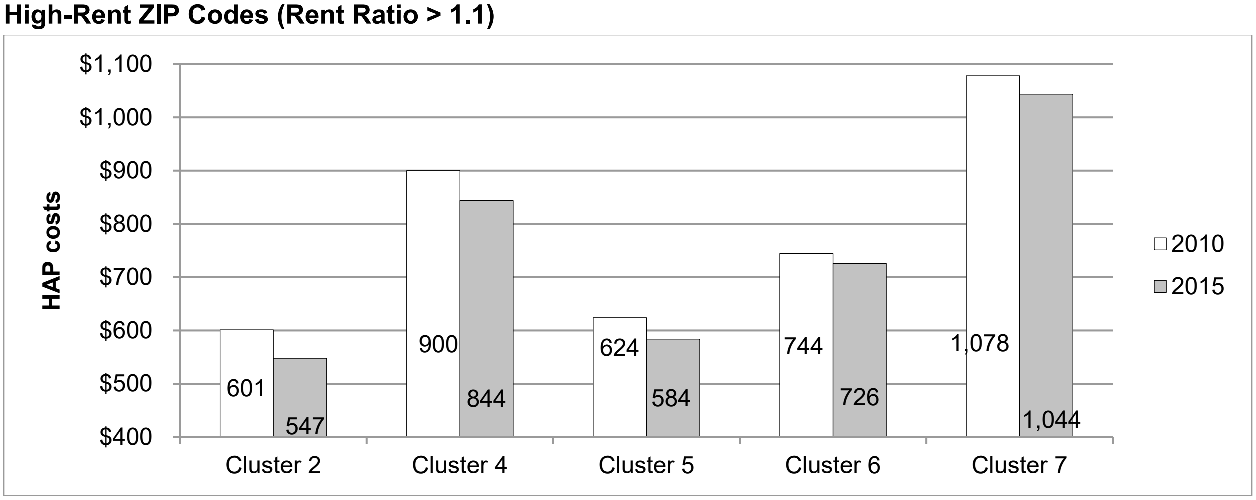
Low-Rent ZIP Codes (Rent Ratio < 0.9)



Moderate-Rent ZIP Codes (0.9 < Rent Ratio < 1.1)



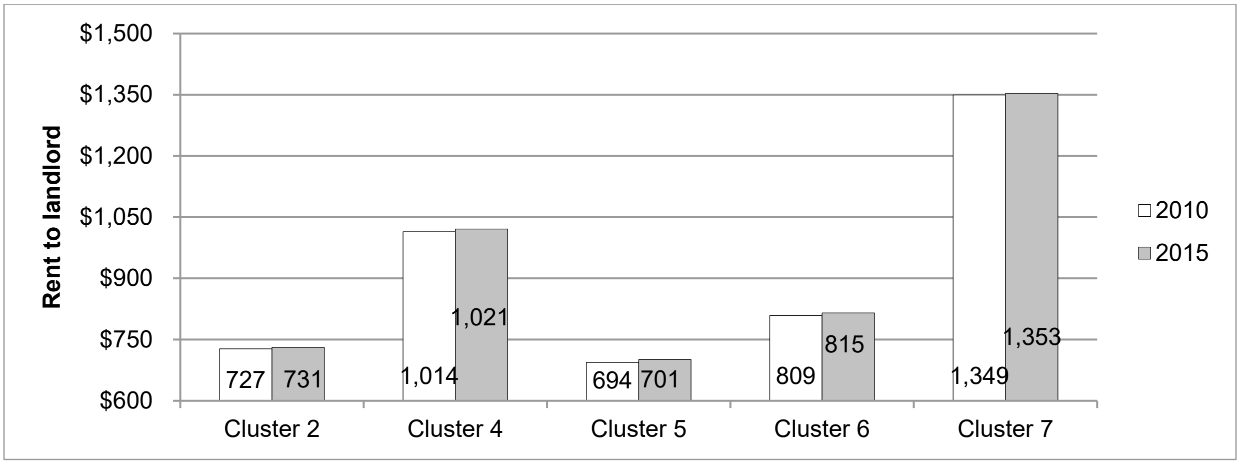
High-Rent ZIP Codes (Rent Ratio > 1.1)



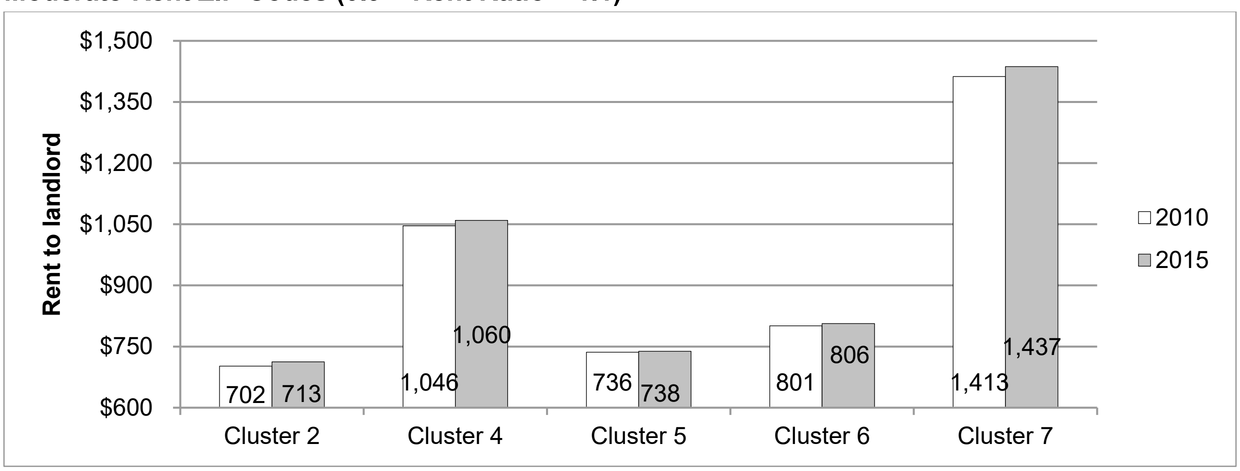
HAP = Housing Assistance Payment.
Notes: All values expressed in 2015 dollars. Mamaroneck had only nine housing choice voucher holders in low-rent ZIP Codes, therefore regard information with caution.
Sources: FY2015 Fair Market Rents; HUD FY2015 Small Area Fair Market Rents; HUD Public and Indian Housing Information Center administrative data

Exhibit E-18: Average Rent to Landlords by Comparison Cluster (Corresponds to Exhibit 7-6)

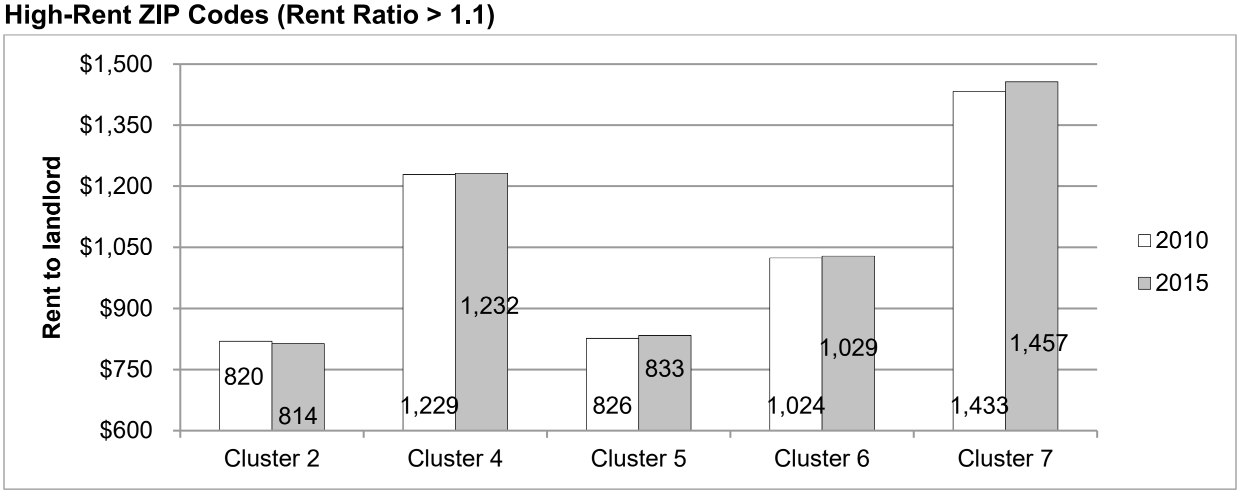
Low-Rent ZIP Codes (Rent Ratio < 0.9)



Moderate-Rent ZIP Codes (0.9 < Rent Ratio < 1.1)



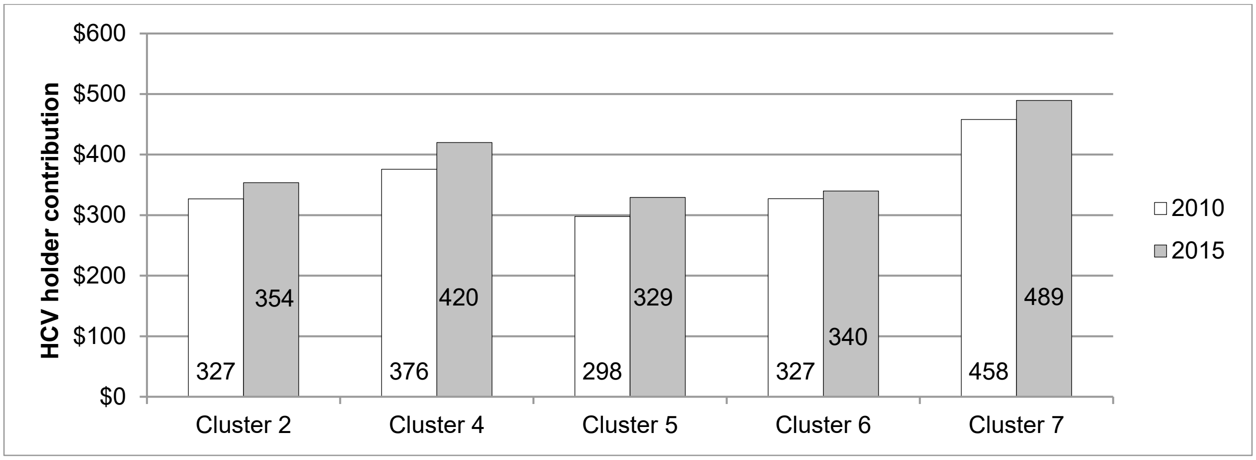
High-Rent ZIP Codes (Rent Ratio > 1.1)



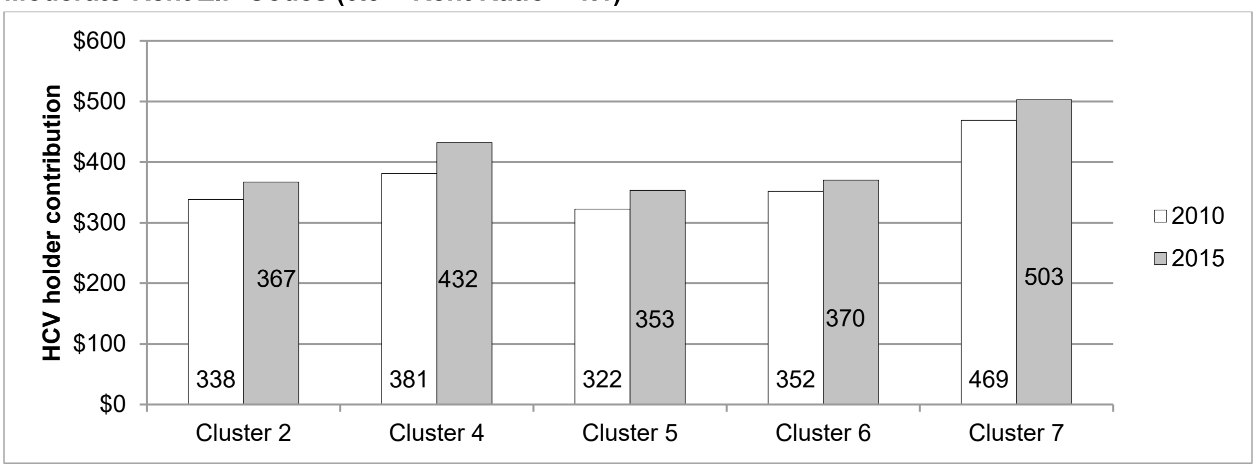
Notes: All values expressed in 2015 dollars. Mamaroneck had only nine housing choice voucher holders in low-rent ZIP Codes, therefore regard information with caution.
Sources: FY2015 Fair Market Rents; HUD FY2015 Small Area Fair Market Rents; HUD Public and Indian Housing Information Center administrative data

Exhibit E-19: Average HCV Holder Contribution to Rent by Comparison Cluster (Corresponds to Exhibit 7-8)

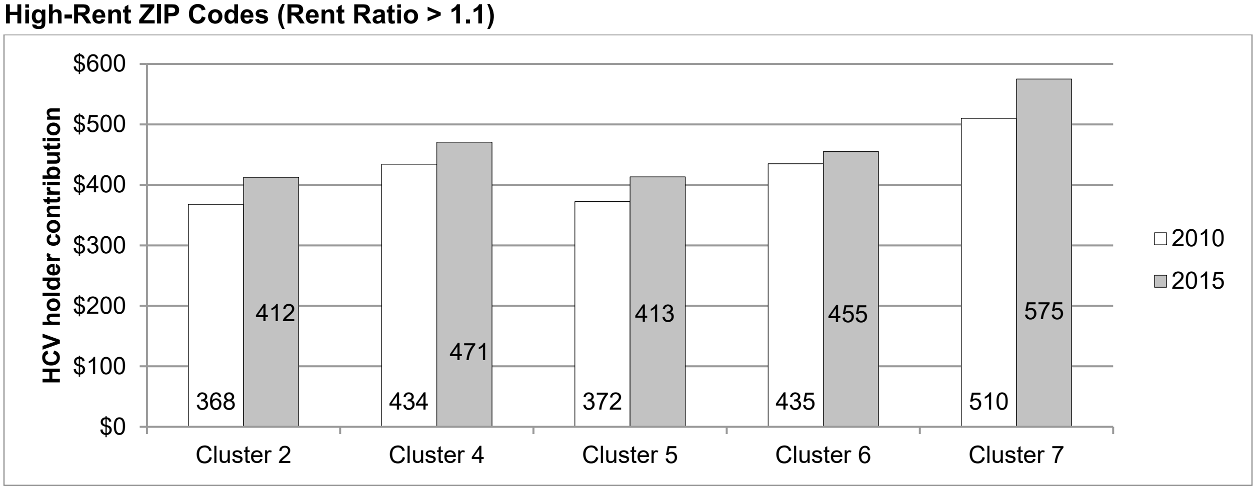
Low-Rent ZIP Codes (Rent Ratio < 0.9)



Moderate-Rent ZIP Codes (0.9 < Rent Ratio < 1.1)



High-Rent ZIP Codes (Rent Ratio > 1.1)



HCV = housing choice voucher.
Notes: All values expressed in 2015 dollars. Mamaroneck had only nine HCV holders in low-rent ZIP Codes, therefore regard information with caution.
Sources: FY2015 Fair Market Rents; HUD FY2015 Small Area Fair Market Rents; HUD Public and Indian Housing Information Center administrative data

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