October 1, 2018

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

Re: [Docket No. FR-6125-N-01] Fair Market Rents for the Housing Choice Voucher Program, Moderate Rehabilitation Single Room Occupancy Program, and Other Programs Fiscal Year 2019

To Whom It May Concern:

On behalf of the National Association of Housing and Redevelopment Officials (NAHRO), I would like to offer the following comments to the United States Department of Housing and Urban Development (HUD or the Department) in response to the notice titled “Fair Market Rents for the Housing Choice Voucher Program, Moderate Rehabilitation Single Room Occupancy Program, and Other Programs Fiscal Year 2019” published in the Federal Register on Friday, August 31, 2018.

Formed in 1933, NAHRO represents over 20,000 housing and community development individuals and agencies. Collectively, our members manage over 970,000 public housing units, 1.7 million Housing Choice Vouchers (HCVs), and receive over $1.5 billion in Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) Program funding to use in their communities. NAHRO has the unique ability to represent public housing agencies, local redevelopment agencies, and other HUD grantees of all sizes and geography.

Following a brief introduction, this letter is divided into two brief sections. The first section provides a brief background on NAHRO’s concerns about Fair Market Rents (FMRs) and how HUD has incorporated NAHRO’s suggestions into improving FMRs. The second section provides brief recommendations on how FMRs can be further improved. The National Association of Housing and Redevelopment Officials makes the following recommendations:

1. The Department of Housing and Urban Development should use more timely data when calculating FMRs;
2. The Department should provide funding for Research Surveys; and
3. The Department should continue to refine its methodology for calculating FMRs.

All citations are informal.

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Background
In the past, NAHRO has had two primary issues with the calculation of FMRs. First, NAHRO did not believe that the published FMRs accurately represented on-the-ground rental market conditions. Second, NAHRO was concerned about the volatility of the FMRs, which made program planning difficult.

One of the complaints of many of NAHRO’s members was that the FMRs did not represent accurate on-the-ground rental market prices. This is especially true in rapidly gentrifying metropolitan areas, where the FMRs tended to lag behind the on-the-ground rental prices in certain neighborhoods. This discrepancy between the actual rental prices and the FMRs resulted in payment standards which were set too low causing voucher success rates to be lower than they should have been. Additionally, these inaccurate FMRs have the potential to additionally cost burden families. In areas where the published FMRs are too high relative to actual market costs, PHAs’ per voucher HAP costs increase, resulting in fewer households being served.

The second primary complaint from NAHRO’s members was the excessive volatility of the FMRs. Members noted that FMRs could have extreme shifts from year to year. This created a system where program planning was extremely difficult because it was impossible to know how much an FMR would shift, which could cause a change in payment standards and potentially cost burden a family.

To its credit, HUD has partially alleviated these problems in recent years. In 2016, HUD adopted a “forward trending” methodology, which may create FMRs that better represent accurate on-the-ground rental prices.\(^2\) Previously, HUD trended forward looking at variables in the past. The Department also adopted methodological changes in how it calculates Small Area FMRs.\(^3\) NAHRO was cautiously optimistic that those changes would result in more accurate Small Area FMRs.\(^4\) While NAHRO believes that there’s still more work to be done before FMRs fully represent the on-the-ground rental prices, NAHRO does acknowledge and commend the steps that HUD has taken in response to NAHRO’s prior comment letters to mitigate the deleterious effects of this issue.

The Department has also addressed the volatility concern. Fair Market Rents and Small Area FMRs no longer decline by more than 10 percent from one year to the next.\(^5\) Additionally, in those instances where FMRs do decline, housing agencies have the option to hold harmless those payment standards for current program participants.\(^6\) Housing agencies also have the ability to either lower payment standards within the range of the lowered FMR or to lower payment standards to some intermediate range between the old FMR and the new lower FMR.\(^7\) All of these provisions have helped to address the volatility concern by limiting decreases in FMRs and giving PHAs options for how payment standards can be lowered to follow the FMR.

On August 31, 2018, HUD published the Fiscal Year (FY) 2019 FMRs on their website, and announced its publication in a notice in the Federal Register. In the notice, HUD noted that the new FMRs were calculated using the same methodology that the FY 2018 FMRs used. The notice also noted that calculation of Renewal Funding Inflation


\(^6\) The statutory authority for this provision comes from the Housing Opportunity Through Modernization Act of 2016 (HOTMA), while the regulatory implementation occurred in the final Small Area FMR rule.

\(^7\) The final Small Area FMR rule added these additional options beyond the “hold harmless” option outlined in the HOTMA legislation.
Factors (RFIFs)—the inflation factor used to inflate eligible renewal funding from one year to the next—would still be calculated using FMRs based on research surveys. The specifics of when to use these survey-FMRs have not been revealed, but additional detail will be forthcoming.

NAHRO’s Recommendations
The National Association for Housing and Redevelopment Officials has much the same recommendations as it has in the past. Before stating its recommendations, NAHRO would like to commend HUD for publishing the FMRs on time. Good program governance is necessary for good program outcomes, and NAHRO is pleased that HUD is prioritizing basic program governance, such as meeting deadlines. Given HUD’s fiscal and capacity constraints, we are encouraged that HUD was able to do this.8

HUD Should Use More Timely Data When Calculating FMRs
As NAHRO previously mentioned in prior comment letters, HUD should use more timely data when calculating FMRs. While NAHRO appreciates the ease with which HUD can use the ACS standard tabulations, this data is not timely enough to support accurate FMR calculations. The Department should work to develop a method to incorporate more recent data into its published FMRs rather than continue to rely on PHA-funded studies to correct inaccuracies in FMRs.

HUD Should Provide Funding for Research Surveys
The Department should provide funding to PHAs that wish to conduct research surveys to help in recalculating their FMRs. Although several of NAHRO’s members regularly conduct these surveys, we are certain that more would like to as well, but are unable to because of financial constraints. While it is true that Congress controls the amount of funding that HUD receives, HUD can still request additional funding for this purpose in its Presidential budget. The National Association of Housing and Redevelopment Officials urges HUD to request this funding from Congress to ensure more accurate FMRs in those jurisdictions where FMRs are typically underreporting true rental prices.

HUD Should Continue to Refine its Methodology for Calculating FMRs
As previously mentioned in prior comment letters, NAHRO was pleased that HUD “replaced the historical-based annualized change in gross rent trend factor with a forward-looking forecast.” Using “national forecasts of the rent and utility components of [the Consumer Price Index]” makes more sense in calculating FMRs than looking to the past and trending forward. As NAHRO has previously stated, HUD should continue to think innovatively about ways that it can change the methodology to accurately capture rental prices. Each methodological change that brings HUD’s FMRs closer to actual rental prices results in much better on-the-ground results for the HCV program participants.

As always, NAHRO greatly appreciates the opportunity to comment on these proposed FY 2019 FMRs. We look forward to working with HUD in the future to further refine the Department’s methodology to ensure the greatest accuracy in calculating FMRs.

Sincerely,

Tushar Gurjal
Policy Analyst, Section 8 Programs

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8 The National Association of Housing and Redevelopment Officials is aware that one of the statutory provisions in HOTMA allows HUD to publish the FMRs and Small Area FMRs on its website instead of in the Federal Register resulting in saved time.