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Part II

Department of Housing and Urban Development

**Proposed Fair Market Rents for Fiscal
Year 2006 for Housing Choice Voucher,
Moderate Rehabilitation Single Room
Occupancy and Certain Other HUD
Programs; Notice**

**DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

[Docket No. FR-4995-N-01; HUD-2005-0010]

**Proposed Fair Market Rents for Fiscal
Year 2006 for Housing Choice
Voucher, Moderate Rehabilitation
Single Room Occupancy and Certain
Other HUD Programs**

AGENCY: Office of the Secretary, HUD.

ACTION: Notice of proposed Fiscal Year (FY) 2006 Fair Market Rents (FMRs).

SUMMARY: Section 8(c)(1) of the United States Housing Act of 1937 (USHA) requires the Secretary to publish FMRs periodically, but not less than annually, adjusted to be effective on October 1 of each year. Today's notice proposes FMRs for FY2006. The proposed numbers would amend FMR schedules used to determine payment standard amounts for the Housing Choice Voucher program, to determine initial renewal rents for some expiring project-based Section 8 contracts, and to determine initial rents for housing assistance payment (HAP) contracts in the Moderate Rehabilitation Single Room Occupancy program. Other programs may require use of FMRs for other purposes.

The proposed FY2006 FMRs in this notice differ from the final FY2005 and previous year FMRs in that they were calculated using the revised Office of Management and Budget (OMB) area definitions that were issued in 2003. For FY2006, HUD is using the county-based statistical areas as defined by OMB, with some modifications. The FMR estimates have been trended to April 2006, the midpoint of FY2006.

DATES: *Comments Due Date:* August 1, 2005.

ADDRESSES: Interested persons are invited to submit comments regarding HUD's estimates of the FMRs as published in this notice to the Office of the General Counsel, Rules Docket Clerk, Room 10276, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410-0001. Communications should refer to the above docket number and title and should contain the information specified in the "Request for Comments" section. To ensure that the information is fully considered by all of the reviewers, each commenter is requested to submit two copies of its comments, one to the Rules Docket Clerk and the other to the Economic and Market Analysis Staff in the appropriate HUD field office. A copy of each communication submitted will be

available for public inspection and copying during regular business hours (8 a.m. to 5 p.m. Eastern Time) at the above address.

FOR FURTHER INFORMATION CONTACT: For technical information on the methodology used to develop fair market rents or a listing of all fair market rents, please call the HUD USER information line at 800-245-2691 or access the information on the HUD Web site at <http://www.huduser.org/datasets/fmr.html>. FMRs are listed at the 40th or 50th percentile in Schedule B. For informational purposes, a table of 40th percentile recent mover rents for the areas with 50th percentile FMRs will be provided on the same Web site noted above. Any questions related to use of FMRs or voucher payment standards should be directed to the respective local HUD program staff. Questions on how to conduct FMR surveys or further methodological explanations may be addressed to Marie L. Lihn or Lynn A. Rodgers, Economic and Market Analysis Division, Office of Economic Affairs, Office of Policy Development and Research, telephone 202-708-0590. Persons with hearing or speech impairments may access this number through TTY by calling the toll-free Federal Information Relay Service at 800-877-8339. (Other than the HUD USER information line and TDD numbers, telephone numbers are not toll free.)

SUPPLEMENTARY INFORMATION

I. Background

Section 8 of the USHA (42 U.S.C. 1437f) authorizes housing assistance to aid lower income families in renting safe and decent housing. Housing assistance payments are limited by FMRs established by HUD for different areas. In the Housing Choice Voucher program, the FMR is the basis for determining the "payment standard amount" used to calculate the maximum monthly subsidy for an assisted family (see 24 CFR 982.503). In general, the FMR for an area is the amount that would be needed to pay the gross rent (shelter rent plus utilities) of privately owned, decent, and safe rental housing of a modest (non-luxury) nature with suitable amenities. In addition, all rents subsidized under the Housing Choice Voucher program must meet reasonable rent standards. The interim rule published on October 2, 2000 (65 FR 58870), established 50th percentile FMRs for certain areas.

Electronic Data Availability: This **Federal Register** notice is available electronically from the HUD news page: <http://www.hudclips.org>. **Federal**

Register notices also are available electronically from the U.S. Government Printing Office Web site at <http://www.gpoaccess.gov/fr/index.html>.

II. Procedures for the Development of FMRs

Section 8(c) of the USHA requires the Secretary of HUD to publish FMRs periodically, but not less frequently than annually. Section 8(c) states in part as follows:

Proposed fair market rentals for an area shall be published in the **Federal Register** with reasonable time for public comment and shall become effective upon the date of publication in final form in the **Federal Register**. Each fair market rental in effect under this subsection shall be adjusted to be effective on October 1 of each year to reflect changes, based on the most recent available data trended so the rentals will be current for the year to which they apply, of rents for existing or newly constructed rental dwelling units, as the case may be, of various sizes and types in this section.

HUD's regulations at 24 CFR part 888 provide that HUD will develop proposed FMRs, publish them for public comment, provide a public comment period of at least 30 days, analyze the comments, and publish final FMRs. (See 24 CFR 888.115.)

In addition, HUD's regulations at 24 CFR 888.113 set out procedures for HUD to assess whether areas are eligible for FMRs at the 50th percentile and, for areas that were formerly eligible for FMRs at the 50th percentile three years ago, whether these areas continue to remain eligible to use 50th percentile FMRs. The regulations provide that once an area is determined eligible for 50th percentile FMRs, that area is eligible to use 50th percentile FMRs for a period of three years. The three-year period for the first areas determined eligible to receive the 50th percentile FMRs, following promulgation of the regulation in § 888.113, has come to a close. HUD has commenced the assessment for eligibility and continued eligibility for the 50th percentile FMRs as provided in the regulations. In view, however, of HUD's proposal to apply new metropolitan area definitions for FY2006, this assessment is not yet complete and ready for publication with this notice. HUD will publish a separate notice in approximately six weeks that will identify any areas newly eligible for 50th percentile FMRs and those areas that remain eligible or no longer remain eligible for continued use of 50th percentile FMRs and the applicable proposed FY2006 FMRs for these areas.

III. Metropolitan Area Definitions

The proposed FY2006 FMRs reflect a change in metropolitan area definitions.

HUD is using the county-based statistical areas as defined by OMB, with some modifications. The new definitions have been implemented with modifications intended to minimize changes in FMRs due solely to the use of the new definitions. All proposed metropolitan FMR areas consist of areas within new OMB metropolitan areas. In general, any parts of old metropolitan areas, or formerly nonmetropolitan counties, that would have more than a 5 percent increase or decrease in their FMRs as a result of implementing the new OMB definitions, are defined as separate FMR areas. In general, HUD applies the same update factors (such as random digit dialing (RDD) or consumer price index (CPI) data) to the rents of all FMR areas within the same new metropolitan area.

Despite these efforts, the changes in area definitions have resulted in different proposed FMRs than if an area were subject to the normal updating of last year's FMRs, particularly, for example, in counties that were in old metropolitan areas that are now considered nonmetropolitan under the new OMB definitions. This approach, however, makes HUD FMR area definitions more consistent with those used by most other federal agencies and facilitates use of the extensive new Census data that will become available from the American Community Survey (ACS) and which will replace the decennial census "long form" starting in 2010.

A. Background

In June 2003, OMB issued new metropolitan area definitions based on 2000 Census data and a revised methodology that placed increased weight on commuting patterns. This methodology had been developed and made subject to public comment prior to and after the 2000 Census data collection, and reflected the consensus thinking of numerous experts. HUD economists and demographers were involved in this process and believe that the new definitions are technically superior to the old definitions and better reflect how local housing markets should be evaluated.

OMB metropolitan definitions are important for two reasons. One is that they are the basis on which the federal government collects and reports data (e.g., new Census data collections will base samples and issue reports using the new definitions). For instance, the ACS, which the Census Bureau began administering in full in 2005 to replace decennial census sample data (the current source of Base Rent data), will, starting in 2006 provide extensive and

relatively current data on rents and incomes using the new OMB definitions. The other reason OMB definitions are important is that federal agencies are expected to use these definitions in administering their programs unless there is some strong program reason to do otherwise.

HUD proposed using the new OMB definitions in an August 6, 2004 (69 FR 48040), **Federal Register** publication that issued proposed FY2005 FMRs. That publication introduced use of both the new OMB definitions and 2000 Census data and contained an unusually large number of proposed increases and decreases related to use of the new data and definitions. In response to the limited timeframe available for public comments and the number of comments received opposing use of the new definitions, HUD reverted to using the old definitions in its final FY2005 FMR publication and in the FY2005 income limit publication. HUD subsequently received a number of complaints from members of the public and the Congress related to its failure to implement the new OMB definitions.

For FY2006, HUD is implementing a modified version of the new OMB definitions that further reduces the number and scope of FMR changes that will occur. HUD believes that it is important to implement the new definitions for the following reasons: (1) The new definitions better reflect local housing market relationships; (2) inconsistencies with other federal program standards will be minimized; (3) the new definitions will facilitate the use of the extensive new ACS data that the Census will begin releasing next year that is collected and processed based on the new OMB definitions; and (4) it is responsive to complaints received after issuance of the final FY2005 FMRs from areas regarding HUD's failure to implement the new OMB definitions.

According to OMB guidance on the use of metropolitan area definitions for nonstatistical programs, such as setting FMRs for the Housing Choice Voucher program, HUD may alter OMB definitions of metropolitan areas to better suit program operations. As stated in OMB Bulletin 04-03 defining metropolitan areas:

OMB establishes and maintains the definitions of Metropolitan * * * Statistical Areas * * * solely for statistical purposes. * * * OMB does not take into account or attempt to anticipate any non-statistical uses that may be made of the definitions[.] In cases where * * * an agency elects to use the Metropolitan * * * Area definitions in nonstatistical programs, it is the sponsoring agency's responsibility to ensure that the

definitions are appropriate for such use. An agency using the statistical definitions in a nonstatistical program may modify the definitions, but only for the purposes of that program. In such cases, any modifications should be clearly identified as deviations from the OMB statistical area definitions in order to avoid confusion with OMB's official definitions of Metropolitan * * * Statistical Areas.

B. Modified Implementation of New OMB Definitions

HUD had three objectives in defining FMR areas for FY2006: (1) To incorporate new OMB metropolitan area definitions so the FMR estimation system can better use new data collected using those definitions; (2) to better reflect current housing markets; and (3) to minimize the number of large changes in FMRs due to use of the new OMB definitions. The proposed FMR area definitions were developed to achieve these objectives as follows:

- FMRs were calculated for each of the new OMB metropolitan areas using 2000 Census data.
- Subparts of any of the new areas that had separate FMRs under the old OMB definitions were identified, and 2000 Census Base Rents for these subparts were calculated. Only the subparts within the new OMB metropolitan area were included in this calculation (e.g., counties that had been excluded from the new OMB metropolitan area were not included).
- Metropolitan subparts of new areas that had previously had separate FMRs were assigned their own FMRs if their 2000 Census Base Rents differed by more than 5 percent from the new OMB area 2000 Census Base Rent.
- Formerly metropolitan counties removed from metro areas got their own FMRs. These areas accounted for many of the FMR decrease of more than 5 percent.
- Nonmetropolitan counties that were added to the new OMB metropolitan areas and did not have enough renters to calculate separate 2000 Census Base Rents accounted for most of the large increases in FMRs.

Proposed FY2006 FMRs were calculated using the same information used to compute FY2005 Final FMRs plus additional update factors.

Appendix I provides more detailed technical information about data sources and a summary of the impacts of the metropolitan area definitional changes. For nonmetropolitan areas, FMRs continue to be calculated at the county level. The area-specific data and computations used to calculate proposed FY2006 FMRs and FMR area definitions can be found at www.huduser.org/datasets/fmr/fmrs/.

C. Future FMR Annual Updates

HUD believes the new OMB definitions of MSAs are reasonable definitions of housing markets and that their relevance will increase with time. That is, while HUD makes distinctions among housing markets within some of these areas based on differences in rents measured in 2000, it believes that the new MSAs better reflect current rental housing markets than the 1990 Census-based metropolitan area definitions. Therefore, future updates to FMRs will be made at the metropolitan area level and applied to all FMR areas within metropolitan areas where they have been separately designated. HUD-funded RDDs will be conducted at the metropolitan area level and compared to the metropolitan area rent estimate to see if adjustments need to be made. If an RDD indicates that a metropolitan

area rent needs to be changed, the metropolitan area-level change factor will be computed and applied to all FMRs within the metropolitan area. HUD will accept information supplied by local housing authorities to make adjustments to FMRs. HUD will re-benchmark all FMR areas when sufficient ACS or other data are available to estimate rents at the same level of accuracy for all FMR areas. To the extent such detailed data are available, the FY2006 separation of FMR sub-areas within new OMB metropolitan areas will be re-examined to determine if the new survey FMR area base rents are sufficiently different to warrant their continued separation within the metropolitan area.

D. Impacts of FMR Area Changes

The tables in this section present population totals for the parts of the

country affected by various changes in FMRs. Table 1 shows the effect of the geographic definitional changes on the 2000 Census Base Rents. Note that 96.9 percent of the population is in areas where the 2000 Census Base Rent changes by less than 5 percent. Larger changes in base rent are generally limited to places that have been dropped from major metropolitan areas (these areas now have their own, generally lower, Base Rents), or small candidate sub-areas with too little census rent data to estimate a sub-area FMR (these areas are subsumed in metropolitan areas or FMR areas that have generally much higher 2000 Census Base Rents than the candidate sub-areas' old FMR-area Base Rents). A listing of the small candidate sub-areas is shown in Appendix II.

TABLE 1.—POPULATION-WEIGHTED EFFECT OF FMR AREA DEFINITION CHANGES ON 2000 CENSUS BASE RENTS

2000 Census base rent change	Number of areas*	2000 population	Percent of total population
15% or More Decline	37	1,560,972	0.5
10% to 14.9% Decline	23	751,880	0.3
5% to 9.9% Decline	21	1,798,385	0.6
1% to 4.9% Decline	346	37,794,535	13.2
Within +/- 1%	3,817	209,401,324	73.1
1% to 4.9% Increase	357	30,341,010	10.6
5% to 9.9% Increase	47	3,244,608	1.1
10% to 14.9% Increase	16	192,499	0.1
15% or More Increase	100	1,332,179	0.5
All Areas	4,764	286,417,392	100.0

* Areas are counties or county-equivalent areas except in New England where areas are cities and towns.

Table 2 shows population distribution of changes in FMRs that can be attributed to all differences between the revised final FY2005 FMRs and proposed FY2006 FMRs including the geographical area changes and the

results of RDDs. Relative to Table 1, there is more dispersion in the changes, which reflects the overall national trend of a slight increase in rent on the one hand, and the large number of RDDs resulting in decreased FMRs on the

other. This influence is most apparent in the much larger percentage of the population that has a 1 percent to 4.9 percent increase in FMRs and the larger percentages with 5 percent to 9.9 percent increases/decreases.

TABLE 2.—POPULATION DISTRIBUTION BY CHANGES IN FMRs: REVISED FINAL FY2005 TO PROPOSED FY2006

FMR change	Number of areas*	2000 population	Percent of total population
15% or More Decline	32	1,091,769	0.4
10% to 14.9% Decline	29	5,721,614	2.0
5% to 9.9% Decline	74	16,490,802	5.8
1% to 4.9% Decline	131	22,005,803	7.7
Within +/-1%	132	32,600,796	11.4
1% to 4.9% Increase	3,956	164,012,622	57.3
5% to 9.9% Increase	238	37,355,878	13.0
10% to 14.9% Increase	57	4,539,642	1.6
15% or More Increase	115	2,598,466	0.9
All Areas	4,764	286,417,392	**100.0

* Areas are counties or county-equivalent areas except in New England where areas are cities and towns.

** Individual percentages may not sum to 100 percent due to rounding.

IV. FMR Methodology

As detailed in Appendix I, the proposed FY2006 FMRs use previously accumulated data differently than prior FMR publications. Because the Revised Final FY2005 FMRs are such an important source of accumulated information for the proposed FY2006 FMRs, discussion of the sources and methods used to develop the Revised Final FY2005 FMRs is included here along with the specific discussion of FY2006 FMR data and methods.

A. Data Sources: 2000 Census Base Rents

FY2005 FMRs were benchmarked for most areas using 2000 Decennial Census data, which served to correct estimation errors that accumulated since 1994 when FMRs were benchmarked with 1990 Decennial Census data.

At HUD's request, the Census Bureau prepared a special publicly releasable Census file that permits almost exact replication of HUD's 2000 Base Rent calculations except for areas with few rental units. This data set is located on HUD's HUD USER Web site at <http://www.huduser.org/datasets/fmr/CensusRentData/>. An area-specific explanation of how FY2005 FMRs were benchmarked to the 2000 Census and updated can be found at <http://www.huduser.org/datasets/fmr/fmrs/>.

The proposed FY2006 FMRs are also benchmarked to the 2000 Census. The FY2006 Census Base Rents are computed for the new geography of metropolitan areas, candidate sub-areas of metropolitan areas (which may become HUD Metro FMR areas), and nonmetropolitan counties using the same computational techniques as the FY2005 benchmarking. The 2000 Census Base Rents for old FMR areas are used, along with the Revised Final FY2005 FMRs, to determine the 2000-to-2005 portion of the 2000-to-2006 update factor for metropolitan areas, new FMR areas, and nonmetropolitan counties. A publicly releasable version of the data used for the FY2006 Census Base Rent determinations will also be available at the above website.

B. FMR Updates: 2000 Census to 2005

For the FY2006 FMR areas (metropolitan areas, HUD Metro FMR areas, and non-metropolitan counties), update factors from the 2000 Census Base Rent to 2005 are computed using weighted average update factors derived from old FMR area, Revised Final FY2005 FMRs, old FMR area 2000 Census Base Rents and 2000 Census 100 percent population counts as described in Appendix I.

After 2000 Census Base Rent estimates were established for each FMR area and bedroom size, they are updated from the estimated Census date of April 1, 2000, to April 1, 2005 (the midpoint of FY2005). Update factors for the 2000-through-end-of-2003 period were based either on the area-specific CPI survey data that were available for the largest metropolitan areas or on HUD regional RDD survey data.

FMRs are updated using a combination of data. Annual CPI data are available for most of the largest metropolitan areas. Data from the Census Bureau's American Housing Survey are also available for some of the larger areas. For the 2000-to-2003 period, HUD conducted regional RDD surveys to obtain rent changes for the metropolitan and nonmetropolitan parts of the 10 HUD regions not covered by area-specific CPI surveys. A 3 percent trending factor is used to cover the portions of time for which there are no better data.

For areas with local CPI surveys, CPI annual data on rents and utilities were used to update the Census rent estimates. Three-quarters of the 2000 CPI change factor was used to bring the FMR estimates forward from April to December of 2000. Annual CPI survey data could then be used for Calendar Years 2001, 2002, and 2003. Trending to cover the period from December 2003, to April 1, 2005, was then needed. An annual trending factor of 3 percent, based on the average annual increase in the median Census gross rent between 1990 and 2000, was used to update estimates from the end of 2003 (*i.e.*, the last date for which CPI data were available) until the midpoint of the fiscal year in which the estimates were used. The 15-month trending factor was 3.75 percent (3 percent times 15/12).

For areas without local CPI surveys, the same process was used except that regional RDD survey data were substituted for CPI data for the period through the end of 2003. Regional RDD surveys were done for 20 areas—the metropolitan and nonmetropolitan part of each of the 10 HUD regions. Areas covered by CPI metropolitan surveys were excluded from the RDD metropolitan regional surveys.

HUD also conducted RDD telephone FMR surveys for selected areas and incorporated these into FMR update factors.

C. Updates From 2005 to Proposed FY2006

After using the old FMR area data as described above to update metropolitan area, new FMR area, and nonmetropolitan county rents to 2005,

metropolitan area and nonmetropolitan county update factors from 2005 to 2006 are applied to derive the proposed FY2006 FMRs. All new FMR areas that are part of a new metropolitan area are updated with the same metropolitan area-level 2005-to-2006 update factor.

Specifically, local CPI data is used to move rents from the end of 2003 to the end of 2004 and the same 15-month trending factor is then applied. Regional RDDs, however, were not conducted in 2004 in anticipation of the arrival of ACS data. Therefore, for proposed FY2006 FMRs, Census region-level CPI data for Class B- and C-size cities is being used to update areas without local CPI update factors. Data from the 2004 ACS will be used to replace regional CPI data if it becomes available in time for inclusion in the final FY2006 publication. Once full-scale ACS data collections start to become available in the latter part of 2006, sample sizes will be large enough to estimate FMRs for the larger metropolitan areas on an annual basis and for other areas on a two- to four-year basis.

D. Additional RDD Surveys and Other Data

RDDs covering 35 additional areas were conducted by HUD in the January-February period of 2005 and completed in time for use in this publication. In addition, PHA surveys were conducted for 5 area RDDs. Table 3 shows the results of the HUD and PHA surveys. The first column of Table 3 identifies the RDD survey area. Except where noted, RDD survey areas correspond to metropolitan areas as defined by OMB. In metropolitan areas where HUD defines HUD Metro FMR Areas (HMFAs), the percent change due to the RDD reported in the last column is applied to the unrevised FY2006 FMR of each HMFA in the metropolitan area. A change in FMR estimates is shown only if the RDD result shows a statistically significant difference from the FMR estimate based on non-RDD update factors. The "Result of RDD" column shows whether or not the RDD results were statistically different enough to justify replacing the unrevised estimates with the RDD results.

The RDD results show an unusually high percentage of FMR decreases. These decreases are consistent with multifamily apartment complex time-series data that also indicated decreases and were available for comparison for all of the larger metropolitan areas surveyed. Nationally, Census vacancy data continue to show rental vacancy rates at record highs, which, combined with loss of higher income renters to

homeownership, have adverse impacts on rents. The survey results were as follows:
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Table 3
RDD Results

Area Surveyed (New Area Name)	Old Area (part)	FY2005	Pre-RDD	FY2006	Result of RDD*
		FMR	FMR	FMR	
Allentown-Bethlehem-Easton, PA HMFA	Allentown--Bethlehem--Easton, PA MSA	671	715	753	+ 5.4%
Warren County, NJ HMFA	Newark, NJ PMSA	1020	1015	1070	+ 5.4%
Austin-Round Rock, TX MSA	Austin--San Marcos, TX MSA	912	938	804	- 14.3%
Birmingham-Hoover, AL HMFA	Birmingham, AL MSA	577	581	581	NC
Birmingham-Hoover, AL HMFA	Bibb County, AL	431	581	581	NC
Chilton County, AL HMFA	Chilton County, AL	446	459	459	NC
Walker County, AL HMFA	Walker County, AL	434	447	447	NC
Buffalo-Niagara Falls, NY MSA	Buffalo--Niagara Falls, NY MSA	648	676	625	- 7.5%
Charlotte-Gastonia-Concord, NC-SC HMFA	Charlotte--Gastonia--Rock Hill, NC--SC MSA	719	767	680	- 11.3%
Anson County, NC HMFA	Anson County, NC	434	447	396	- 11.3%
Dallas, TX HMFA	Dallas, TX PMSA	868	824	777	- 5.7%
Dallas, TX HMFA	Delta County, TX	488	824	777	- 5.7%
Fresno, CA MSA	Fresno, CA MSA	616	635	702	+ 10.6%
Jacksonville, FL HMFA	Jacksonville, FL MSA	732	749	749	NC
Baker County, FL HMFA	Baker County, FL	409	421	421	NC
Knoxville, TN MSA	Knoxville, TN MSA	553	569	569	NC
Las Vegas-Paradise, NV MSA	Las Vegas, NV--AZ MSA	907	958	861	- 10.1%
Little Rock-North Little Rock, AR HMFA	Little Rock--North Little Rock, AR MSA	576	590	590	NC
Little Rock-North Little Rock, AR HMFA	Perry County, AR	450	590	590	NC
Grant County, AR HMFA	Grant County, AR	453	466	466	NC
Memphis, TN-MS-AR HMFA	Memphis, TN--AR--MS MSA	622	636	636	NC
Marshall County, MS HMFA	Marshall County, MS	420	432	432	NC
Tate County, MS HMFA	Tate County, MS	446	459	459	NC
Tunica County, MS HMFA	Tunica County, MS	581	598	598	NC

Miami-Fort Lauderdale-Miami Beach, FL MSA	Fort Lauderdale, FL PMSA	998	999	967	- 3.2%
Miami-Fort Lauderdale-Miami Beach, FL MSA	Miami, FL PMSA	929	999	967	- 3.2%
Miami-Fort Lauderdale-Miami Beach, FL MSA	West Palm Beach--Boca Raton, FL MSA	898	999	967	- 3.2%
Milwaukee-Waukesha-West Allis, WI MSA	Milwaukee--Waukesha, WI PMSA	694	708	666	- 5.9%
Minneapolis-St. Paul-Bloomington, MN-WI MSA	Minneapolis--St. Paul, MN--WI MSA	928	942	882	- 6.4%
New Orleans-Metairie-Kenner, LA MSA	New Orleans, LA MSA	676	696	639	- 8.2%
Jersey City, NJ HMFA	Jersey City, NJ PMSA	1100	1150	1090	- 5.2%
Middlesex-Somerset-Hunterdon, NJ HMFA	Middlesex--Somerset--Hunterdon, NJ PMSA	1210	1264	1187	- 6.1%
Oklahoma City, OK HMFA	Oklahoma City, OK MSA	581	597	571	- 4.4%
Grady County, OK HMFA	Grady County, OK	433	446	426	- 4.4%
Lincoln County, OK HMFA	Lincoln County, OK	423	435	416	- 4.4%
Orlando, FL MSA	Orlando, FL MSA	838	862	782	- 9.3%
Phoenix-Mesa-Scottsdale, AZ MSA	Phoenix--Mesa, AZ MSA	817	824	770	- 6.6%
Pittsburgh, PA HMFA	Pittsburgh, PA MSA	639	655	719	+ 9.8%
Armstrong County, PA HMFA	Armstrong County, PA	446	461	506	+ 9.8%
Rapid City, SD HMFA	Rapid City, SD MSA	609	605	667	+ 10.2%
Richmond, VA HMFA	Richmond--Petersburg, VA MSA	810	822	757	- 7.9%
Richmond, VA HMFA	Amelia County, VA	452	822	757	- 7.9%
Richmond, VA HMFA	Caroline County, VA	595	822	757	- 7.9%
Richmond, VA HMFA	Cumberland County, VA	452	822	757	- 7.9%
Richmond, VA HMFA	King and Queen County, VA	565	822	757	- 7.9%
Richmond, VA HMFA	King William County, VA	565	822	757	- 7.9%
Richmond, VA HMFA	Sussex County, VA	485	822	757	- 7.9%
Louisa County, VA HMFA	Louisa County, VA	606	624	574	- 7.9%
Riverside-San Bernardino-Ontario, CA MSA	Riverside--San Bernardino, CA PMSA	752	792	792	NC
Rochester, NY MSA	Rochester, NY MSA	687	720	656	- 8.9%
St. Louis, MO-IL HMFA	St. Louis, MO--IL MSA	741	762	694	- 8.9%
St. Louis, MO-IL HMFA	Calhoun County, IL	485	762	694	- 8.9%
Bond County, IL HMFA	Bond County, IL	445	460	420	- 8.9%
Macoupin County, IL HMFA	Macoupin County, IL	500	517	471	- 8.9%
Washington County, MO HMFA	Washington County, MO	421	435	397	- 8.9%

Salem, OR MSA	Salem, OR PMSA	616	622	622	NC
San Diego-Carlsbad-San Marcos, CA MSA	San Diego, CA MSA	1183	1242	1158	- 6.8%
Santa Barbara-Santa Maria-Goleta, CA MSA	Santa Barbara--Santa Maria--Lompoc, CA MSA	1004	1037	1037	NC
Scranton--Wilkes-Barre, PA MSA	Scranton--Wilkes-Barre--Hazleton, PA MSA	568	594	594	NC
Tacoma, WA HMFA	Tacoma, WA PMSA	736	737	737	NC
Sioux Falls, SD MSA	Sioux Falls, SD MSA	607	618	621	+ 0.5%
Sioux Falls, SD MSA	McCook County, SD	474	618	621	+ 0.5%
Sioux Falls, SD MSA	Turner County, SD	504	618	621	+ 0.5%
Stockton, CA MSA	Stockton--Lodi, CA MSA	734	758	846	+ 11.6%
Syracuse, NY MSA	Syracuse, NY MSA	610	643	586	- 8.9%
Tampa-St. Petersburg-Clearwater, FL MSA	Tampa--St. Petersburg--Clearwater, FL MSA	805	838	838	NC
Virginia Beach-Norfolk-Newport News, VA-NC MSA	Norfolk--Virginia Beach--Newport News, VA--NC MSA	788	811	811	NC
Virginia Beach-Norfolk-Newport News, VA-NC MSA	Surry County, VA	485	811	811	NC
Codington County, SD	Codington County, SD	513	524	555	+ 5.9%
Davison County, SD	Davison County, SD	499	510	517	+ 1.4%
Yankton County, SD	Yankton County, SD	499	510	529	+ 3.7%

***Actual differences of up to 0.1 percent may occur because of rounding.**

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E. Large Bedroom Rents

FMR estimates are calculated for two-bedroom units. This is the most common size of rental units, and, therefore, the most reliable to survey and analyze. After each Decennial Census, rent relationships between two-bedroom units and other unit sizes are calculated and used to set FMRs for other units. This is done because it is much easier to update two-bedroom estimates and to use pre-established cost relationships with other bedroom sizes than it is to develop independent FMR estimates for each bedroom size, which was last done using 2000 Census data. A publicly releasable version of the data file that permits derivations of rent ratios is available at [http://](http://www.huduser.org/datasets/fmr/CensusRentData/)

www.huduser.org/datasets/fmr/CensusRentData/.

The rents for three-bedroom and larger units continue to reflect HUD's policy to set higher rents for these units than would result from using normal market rents. This adjustment is intended to increase the likelihood that the largest families, which have the most difficulty in leasing units, will be successful in finding eligible program units. The adjustment adds bonuses of 8.7 percent to the unadjusted three-bedroom FMR estimates and adds 7.7 percent to the unadjusted four-bedroom FMR estimates. The FMRs for unit sizes larger than four bedrooms are calculated by adding 15 percent to the four-bedroom FMR for each extra bedroom. For example, the FMR for a five-bedroom unit is 1.15 times the four-bedroom FMR, and the FMR for a six-

bedroom unit is 1.30 times the four-bedroom FMR. FMRs for single-room occupancy units are 0.75 times the zero-bedroom (efficiency) FMR.

A further adjustment was made using 2000 Census data in establishing rent ratios for areas with local bedroom-size intervals above or below what are considered to be reasonable ranges or where sample sizes are inadequate to accurately measure bedroom rent differentials. Experience has shown that highly unusual bedroom ratios typically reflect inadequate sample sizes or peculiar local circumstances that HUD would not want to utilize in setting FMRs (e.g., luxury efficiency apartments in New York City that rent for more than typical one-bedroom units). Bedroom interval ranges were established based on an analysis of the range of such intervals for all areas with large enough

samples to permit accurate bedroom ratio determinations. The following ranges were used: efficiency units were between 0.65 and 0.83 of the two-bedroom FMR, one-bedroom units were between 0.76 and 0.90 of the two-bedroom unit, three-bedroom units were between 1.10 and 1.34 of the two-bedroom unit, and four-bedroom units were between 1.14 and 1.63 of the two-bedroom unit. Bedroom rents for a given FMR area were then adjusted if the differentials between bedroom-size FMRs were inconsistent with normally observed patterns (e.g., efficiency rents were not allowed to be higher than one-bedroom rents and four-bedroom rents were set at a minimum of 3 percent higher than three-bedroom rents).

For low-population, nonmetropolitan counties with small Census recent-mover rent samples, Census-defined county group data were used in determining rents for each bedroom size. This adjustment was made to protect against unrealistically high or low FMRs due to insufficient sample sizes. The areas covered by this new estimation method had less than the HUD standard of 200 two-bedroom, Census-tabulated observations.

V. Manufactured Home Space Surveys

The FMR used to establish payment standard amounts for the rental of manufactured home spaces in the Housing Choice Voucher program is 40 percent of the FMR for a two-bedroom unit. HUD will consider modification of the manufactured home space FMRs where public comments present statistically valid survey data showing the 40th percentile manufactured home space rent (including the cost of utilities) for the entire FMR area.

All approved exceptions to these rents that were in effect in FY2005 were updated to FY2006 using the same data used to estimate the Housing Choice Voucher program FMRs if the respective FMR area's definition had remained the same. If the result of this computation was higher than 40 percent of the rebenchmarked two-bedroom rent, the exception remained and is listed in Schedule D. The FMR area definitions used for the rental of manufactured home spaces are the same as the area definitions used for the other FMRs. Areas with definitional changes that previously had exception, manufactured housing space rental FMRs have been requested to submit new surveys to justify higher than standard space rental FMRs if they believe higher space rental allowances are needed.

VI. Request for Public Comments

HUD seeks public comments on FMR levels for specific areas. Comments on FMR levels must include sufficient information (including local data and a full description of the rental housing survey methodology used) to justify any proposed changes. Changes may be proposed in all or any one or more of the unit-size categories on the schedule. Recommendations and supporting data must reflect the rent levels that exist within the entire FMR area.

For the supporting data, HUD recommends the use of professionally conducted RDD telephone surveys to test the accuracy of FMRs for areas where there is a sufficient number of Section 8 units to justify the survey cost of approximately \$20,000 to \$30,000. Areas with 500 or more program units usually meet this cost criterion, and areas with fewer units may meet it if actual rents for two-bedroom units are significantly different from the FMRs proposed by HUD. In addition, HUD has developed a version of the RDD survey methodology for smaller, nonmetropolitan public housing agencies (PHAs). This methodology is designed to be simple enough to be done by the PHA itself, rather than by professional survey organizations, at a cost of \$5,000 or less.

PHAs in nonmetropolitan areas may, under certain circumstances, conduct surveys of groups of counties. HUD must approve all county-grouped surveys in advance. PHAs are cautioned that the resulting FMRs will not be identical for the counties surveyed; each individual FMR area will have a separate FMR based on the relationship of rents in that area to the combined rents in the cluster of FMR areas. In addition, PHAs are advised that counties whose FMRs are based on the combined rents in the cluster of FMR areas will not have their FMRs revised unless the grouped survey results show a revised FMR above the combined rent level.

PHAs that plan to use the RDD survey technique should obtain a copy of the appropriate survey guide. Larger PHAs should request HUD's survey guide entitled, "Random Digit Dialing Surveys; A Guide to Assist Larger Public Housing Agencies in Preparing Fair Market Rent Comments." Smaller PHAs should obtain the guide entitled, "Rental Housing Surveys; A Guide to Assist Smaller Public Housing Agencies in Preparing Fair Market Rent Comments." These guides are available from HUD USER on 800-245-2691, or from HUD's Web site, in Microsoft Word

or Adobe Acrobat format, at <http://www.huduser.org/datasets/fmr.html>.

In providing data to support comments, other survey methodologies are acceptable if the survey methodology can provide statistically reliable, unbiased estimates of the gross rent. Survey samples should preferably be randomly drawn from a complete list of rental units for the FMR area. If this is not feasible, the selected sample must be drawn to be statistically representative of the entire rental housing stock of the FMR area. Surveys must include units at all rent levels and be representative by structure type (including single-family, duplex, and other small rental properties), age of housing unit, and geographic location. The Decennial Census should be used as a means of verifying if a sample is representative of the FMR area's rental housing stock.

Most surveys cover only one- and two-bedroom units, which has statistical advantages. If the survey is statistically acceptable, HUD will estimate FMRs for other bedroom sizes using ratios based on the Decennial Census. A PHA or contractor that cannot obtain the recommended number of sample responses after reasonable efforts should consult with HUD before abandoning its survey; in such situations HUD is prepared to relax normal sample size requirements.

HUD will consider increasing manufactured home space FMRs where public comment demonstrates that 40 percent of the two-bedroom FMR is not adequate. In order to be accepted as a basis for revising the manufactured home space FMRs, comments must include a pad rental survey of the mobile home parks in the area, identify the utilities included in each park's rental fee, and provide a copy of the applicable PHA's utility schedule.

Accordingly, the Fair Market Rent Schedules, which will not be codified in 24 CFR Part 888, are proposed to be amended as shown in the Appendix to this notice:

Dated: May 26, 2005.

Roy A. Bernardi,
Deputy Secretary.

Fair Market Rents for the Housing Choice Voucher Program

Schedules B and D—General Explanatory Notes

1. Geographic Coverage

a. *Metropolitan Areas*—FMRs are market-wide rent estimates that are intended to provide housing opportunities throughout the geographic area in which rental-housing units are

in direct competition. The proposed FY2006 FMRs reflect a change in metropolitan area definitions. HUD is using the metropolitan Core-Based Statistical Areas (CBSA), which are made up of one or more counties, as defined by OMB, with some modifications. HUD is generally assigning separate FMRs to the component counties of CBSA Metropolitan Areas.

b. *Modifications to OMB Definitions*—Following OMB guidance, the estimation procedure for the FY2006 proposed FMRs incorporates the 2003 OMB definitions of metropolitan areas based on the new CBSA standards as implemented with 2000 Census data, but makes adjustments to the definitions to separate subparts of these areas where FMRs would otherwise change significantly if the new area definitions were used without modification. In CBSAs where sub-areas are established, it is HUD's view that the geographic extent of the housing markets are not yet the same as the geographic extent of the CBSAs, but may become so as the social and economic integration of the CBSA component areas increases. Modifications to metropolitan CBSA definitions are made according to a formula as described below.

Metropolitan Areas CBSAs (referred to as Metropolitan Statistical Areas or MSAs) may be modified to allow for sub-area FMRs within MSAs based on the boundaries of old FMR areas (OFAs) within the boundaries of new MSAs. (OFAs are the FMR areas defined for the FY2005 FMRs). Collectively, they include old definition MSAs/PMSAs, metropolitan counties deleted from old definition MSAs/PMSAs by HUD for FMR purposes, and counties and county parts outside of old definition MSAs/PMSAs referred to as nonmetropolitan counties. Sub-areas of MSAs are assigned their own FMRs when the sub-area 2000 Census Base Rent differs by at least 5 percent from (i.e., is at most 95 percent or at least 105 percent of) the MSA 2000 Census Base Rent. MSA sub-areas, and the remaining portions of MSAs after sub-areas have been determined, are referred to as HMFAs to distinguish these areas from OMB's official definition of MSAs.

The specific counties (or New England towns and cities) within each state in MSAs and HMFAs are listed in the FMR tables.

2. Bedroom Size Adjustments

Schedule B shows the FMRs for 0-bedroom through 4-bedroom units. The FMRs for unit sizes larger than 4 bedrooms are calculated by adding 15 percent to the 4-bedroom FMR for each

extra bedroom. For example, the FMR for a 5-bedroom unit is 1.15 times the 4-bedroom FMR, and the FMR for a 6-bedroom unit is 1.30 times the 4-bedroom FMR. FMRs for single room occupancy (SRO) units are 0.75 times the 0-bedroom FMR.

3. Arrangement of FMR Areas and Identification of Constituent Parts

a. The FMR areas in Schedule B are listed alphabetically by metropolitan FMR area and by nonmetropolitan county within each state. The exception FMRs for manufactured home spaces in Schedule D are listed alphabetically by state.

b. The constituent counties (or New England towns and cities) included in each metropolitan FMR area are listed immediately following the listings of the FMR dollar amounts. All constituent parts of a metropolitan FMR area that are in more than one state can be identified by consulting the listings for each applicable state.

c. Two nonmetropolitan counties are listed alphabetically on each line of the nonmetropolitan county listings.

d. The New England towns and cities included in a nonmetropolitan part of a county are listed immediately following the county name.

Appendix I—Detailed Explanation of How New FMR Areas Determined

A. Use and Modification of New OMB Metropolitan Area Definitions

Following OMB guidance, the estimation procedure for the FY2006 proposed FMRs incorporates the 2003 OMB definitions of metropolitan areas based on the new Core-Based Statistical Area (CBSA) standards as implemented with 2000 Census data, but makes adjustments to the definitions to separate subparts of these areas where FMRs would otherwise change significantly if the new area definitions were used without modification. In CBSAs where sub-areas are established, it is HUD's view that the geographic extent of the housing markets are not yet the same as the geographic extent of the CBSAs, but may become so as the social and economic integration of the CBSA component areas increases.

The geographic baseline for the new estimation procedure is the CBSA Metropolitan Areas (referred to as Metropolitan Statistical Areas or MSAs) and CBSA Nonmetropolitan Counties (nonmetropolitan counties include the county components of Metropolitan CBSAs where the counties are generally assigned separate FMRs). The proposed HUD-modified CBSA definitions allow for sub-area FMRs within MSAs based on the boundaries of "Old FMR Areas" (OFAs) within the boundaries of new MSAs. (OFAs are the FMR areas defined for the FY2005 FMRs). Collectively, they include June 30, 1999, OMB definition Metropolitan Statistical Areas and Primary Metropolitan Statistical

Areas (old definition MSAs/PMSAs), metropolitan counties deleted from old definition MSAs/PMSAs by HUD for FMR purposes, and counties and county parts outside of old definition MSAs/PMSAs referred to as non-metropolitan counties. Sub-areas of MSAs are assigned their own FMRs when the sub-area 2000 Census Base Rent differs significantly from the MSA 2000 Census Base Rent. MSA sub-areas, and the remaining portions of MSAs after sub-areas have been determined, are referred to as "HUD Metro FMR Areas (HMFAs)" to distinguish these areas from OMB's official definition of MSAs. The proposed FY2006 FMRs are calculated using a three-step process designed to: (1) Identify MSAs that should be broken up into HMFAs because of quantified differences in OFA and CBSA rents; (2) capture information used to set the FY2005 Revised Final FMRs; and (3) update the FMRs to FY2006 and move the FMR estimation process toward a CBSA-based geography.

1. Step 1, Identifying Housing Markets

To identify MSAs that should be broken up into HMFAs because rental-housing markets are not yet well integrated, HUD compares 2000 Census Base Rents for the MSAs to 2000 Census Base Rent for the parts of each MSA that were in different OFAs and, therefore, had different FY2005 Revised Final FMRs. The parts of each MSA that were in different OFAs are referred to here as "candidate sub-areas." If the 2000 Census Base Rent of a candidate sub-area differs from the MSA 2000 Census Base Rent by at least 5 percent (i.e., is at 95 percent or less or 105 percent or more) of the MSA 2000 Census Base Rent, then the candidate sub-area is designated as an HMFA and is assigned its own 2000 Census Base Rent to be updated, as described below, to derive the proposed FY2006 FMR. HUD identifies the HMFA with a name based on its geography and ending with "HUD Metro FMR Area" to distinguish it from the parent MSA.

The remaining candidate sub-areas within an MSA, having candidate sub-area 2000 Census Base Rents that differ from the MSA 2000 Census Base Rent by less than 5 percent (i.e., are 95 percent or more and 105 percent or less of the MSA 2000 Census Base Rent), are combined to form an HMFA and are assigned the MSA 2000 Base Rent which is updated, as described below, to derive the proposed FY2006 FMR. HUD identifies the HMFA with a name based on its geography and ending with "HUD Metro FMR Area" to distinguish it from the parent MSA.

MSAs with no candidate sub-areas, or where all candidate sub-areas have 2000 Census Base Rents within 5 percent of the MSA 2000 Census Base Rent, are assigned the MSA 2000 Census Base Rent, which is updated, as described below, to derive the proposed FY2006 FMR. Since these areas do not vary from OMB's official metropolitan area definitions, HUD identifies them with their official MSA names as determined by OMB.

Generally, 2000 Census Base Rents for MSAs, HMFAs, and nonmetropolitan counties are set at the 40th percentile rent of recent movers in standard quality two-

bedroom units. Base Rents are set at the 50th percentile recent mover rent if at least 75 percent of the population of the MSA, HMFA, or nonmetropolitan county was in an OFA with a 50th percentile FMR. In all cases except the Bergen-Passaic, NJ HMFA, the 40th percentile 2000 Census Base Rents are used to evaluate whether HMFAs are created from MSAs. The Bergen-Passaic, NJ HMFA was unique among the former FY2005 FMR areas with 50th percentile FMRs in that if the 50th percentile rent had not been used as its 2000 Census Base Rent for establishing the HMFA, the Bergen-Passaic, NJ HMFA would have been made part of a larger HMFA with no mechanism within the formula established in this notice to continue its 50th percentile FMR.

The 2000 Census data for any candidate sub-area must be sufficient to estimate a reliable FMR. HUD's standard is that at least 200 Census-tabulated cases are needed for a reliable 2000 Census Base Rent estimate. Candidate sub-areas with insufficient samples are combined with adjacent candidate sub-areas and 2000 Census Base Rents (as well as 2000-to-2005 update factors as described below) are computed for the combined areas. (See Table 3 for a list of counties and New England towns combined with different candidate sub-areas because of insufficient sample size). Nonmetropolitan counties must also meet the 200-case standard to get their own 2000 Census Base Rent. Nonmetropolitan counties with fewer than 200 cases are assigned the 2000 Census Base Rent of contiguous county groups designated by the Census Bureau for purposes of releasing data under the Public Use Microdata Sample program.

In New England, some towns that formerly were part of a metropolitan OFA are now in nonmetropolitan counties under the new OMB metropolitan area definitions. Because these towns were outlying parts of old metropolitan areas and were determined to have limited interaction with the old metropolitan areas, HUD did not include formerly metropolitan parts of now nonmetropolitan counties in developing HMFAs, but instead followed OMB's county-based area designations.

2. Step 2, Capturing 2000 to 2005 Update Information

MSA, HMFA, and nonmetropolitan county FMRs are updated from the 2000 Census Base Rents to 2005 using a population-weighted average aggregate update factor (WAUF). Within each component of a MSA, HMFA, or nonmetropolitan county having a different FY2005 Revised Final FMR (i.e., within a

different OFA), the aggregate 2000-to-2005 OFA update factor is computed by dividing the FY2005 Revised Final FMR by the 2000 Census Base Rent for the OFA. The WAUF is computed by multiplying each component OFA update factor by the part of the population of the MSA, HMFA, or nonmetropolitan county in each of the OFAs, summing these products, and dividing by the total population of the MSA, HMFA, or nonmetropolitan county. The WAUF is then applied to the 2000 Census Base Rent for the MSA, HMFA, or nonmetropolitan county to determine the 2005 Rent.

3. Step 3, Updating From 2005 to 2006 on an MSA Basis

For each MSA and nonmetropolitan county, a 2005-to-2006 update factor is computed based on available information, such as local or regional CPI data, or the results of a local RDD survey. Most of the HMFA FMRs in an MSA are updated from 2005 to 2006 using MSA-wide update factors. Exceptions to this practice are areas where HUD conducted RDDs at the HMFA level, and where there are variations among HMFAs with local CPI update factors in the utilities-to-gross rent ratio. Numerical examples of this approach are provided in the following sections.

B. Numerical Examples of Proposed FY2006 FMR Computations

FMRs are estimated for all MSAs as follows: the 40th percentile rent for renters who recently moved into two-bedroom standard quality units is estimated for each MSA using the 2000 Census. This is the MSA 2000 Census Base Rent. The MSA 2000 Census Base Rent is updated through 2005 by applying the population-weighted average of the update factors used to produce the Revised Final FY2005 FMRs for OFAs (or OFA parts) within the MSA. Multiplying the MSA 2000 Census Base rent by the blended 2005 update factor, and that result (the 2005 intermediate rent) by an MSA-based 2005-to-2006 update factor, produces the proposed FY2006 FMR.

For areas without RDDs, the FY2006 FMRs equal the Base 2000 FMR times the 2000-to-2005 update factor times the most recent year's local or regional CPI change. (Strictly speaking, a year of trending is removed, the most recent annual rent change factor is used as a replacement, and another year of trending is then added.) For areas with MSA RDDs, the same process is used, but the 2005-to-2006 update factor is based on the RDD change. For instance, a forward-trended April 2005 RDD result for an MSA would be

compared with the FY2006 evaluated rent calculated from the 2000 Census Base MSA Rent, the MSA 2000-to-2005 update factor, and the MSA 2005-to-2006 update factor. If the MSA 2006 evaluated rent is outside the 90 percent confidence interval of the RDD, then the MSA 2005-to-2006 update factor is set at the ratio of the RDD result to the 2005 MSA intermediate rent. This ratio is used as the 2005-to-2006 update factor for all HMFAs within the MSA in the event that the MSA has been split into more than one HMFA.

The following paragraphs provide examples of different ways the proposed FY2006 FMRs are computed based on the differences in geography and 2000 Census Base Rents between the Revised Final FY2005 FMRs and the proposed FY2006 FMRs.

1. No Geographic Change

The A MSA has the same geographic definition as OFA A. In this case, the proposed FY2006 FMR is simply an update of the OFA A Revised Final FY2005 FMR. That is because the 2000 Census Base Rent for the A MSA is identical to that of OFA A, and there is no need to compute a weighted average 2000-to-2005 update factor because there is only one OFA in the A MSA. This same logic applies to nonmetropolitan counties, and to any new MSA that consists of a part of a single OFA.

2. Candidate Sub-Areas in an MSA With Similar 2000 Census Base Rents

HUD examined MSA sub-areas in establishing proposed FY2006 FMR areas. Candidate sub-areas considered for calculation of separate FMRs were generally determined from the way MSAs are divided by OFAs. Any candidate sub-area with a 2000 Census Base Rent that differs from the MSA Census Base Rent by 5 percent or more is designated an HMFA and receives a separate proposed FY2006 FMR based on its own 2000 Census Base Rent and OFA 2000-to-2005 update factor. Remaining candidate sub-areas with 2000 Census Base Rents that differ from their MSA Census Base Rent by less than 5 percent are combined into HMFAs, receive the MSA Base Rent, and are updated to 2005 using a population-weighted average of their component OFA 2000-to-2005 update factors. All HMFAs are updated from 2005-to-2006 using the same MSA-wide update factor.

The D-E MSA is made up of OFA D and part of OFA E. These two areas are candidate sub-areas of the D-E MSA. Suppose they had the following characteristics:

Area	2000 population	2000 census base rent	2000-to-2005 FMR update factor from OFA FMRs
Candidate Sub-area D	700,000	\$700	1.250
Candidate Sub-area E	300,000	740	1.210
D-E MSA Total	1,000,000	710	1.238

The 2000 Census Base Rents of the candidate sub-areas D and E do not differ

from the D-E MSA 2000 Census Base Rent

by more than 5 percent, and is calculated as follows:

$(\$710 - \$700) / \$710 = \$10 / \$710 = 1.4\% < 5\%$,
and
 $(\$740 - \$710) / \$710 = \$30 / \$710 = 4.2\% < 5\%$.

Therefore, HUD does not establish sub-areas within the D-E MSA; the D-E MSA is a single proposed FY2006 FMR area.

The update factor for the D-E MSA through 2005 is:

$(1.250 \times 700,000 + 1.210 \times 300,000) / 1,000,000$
 $= (875,000 + 363,000) / 1,000,000$
 $= (1,238,000) / 1,000,000 = 1.238$

The 2005 intermediate rent estimate for the D-E MSA is $\$710 \times 1.238 = \879 . The 2005-to-2006 regional update factor for D-E MSA is 1.03 for a proposed FY2006 FMR of:

$\$710 \times 1.238 \times 1.03$
 $= \$879 \times 1.03 = \905 .

3. Candidate Sub-areas in an MSA With Dissimilar 2000 Census Base Rents

Next, consider the X-Y-Z MSA made up of three candidate sub-areas with the following characteristics:

Area	2000 population	2000 census base rent	2000-to-2005 FMR update factor from OFA FMRs
Candidate Sub-area X	500,000	\$700	1.280
Candidate Sub-area Y	300,000	715	1.230
Candidate Sub-area Z	200,000	625	1.200
X-Y-Z MSA Total	1,000,000	690	1.249

Suppose further that the regionally estimated 2005-to-2006 update factor for the X-Y-Z MSA is 1.03. First, the 2000 Census Base Rents for candidate sub-areas X and Y differ from the MSA 2000 Census Base Rent by less than 5 percent:

$(\$700 - \$690) / \$690 = \$10 / \$690 = 1.45\% < 5\%$, and
 $(\$715 - \$690) / \$690 = \$25 / \$690 = 3.62\% < 5\%$.

Therefore, these two areas are assigned the MSA 2000 Census Base Rent and form the X-Y HUD Metro FMR Area. Their combined 2000-to-2005 update factor is derived from the 2000 Census-to-Revised Final FY2005 FMR update factors for their OFAs:

$(1.28 \times 500,000 + 1.23 \times 300,000) / 800,000$
 $= (640,000 + 369,000) / 800,000$
 $= 1,009,000 / 800,000 = 1.2613$.

The proposed FY2006 FMR for the X-Y HUD Metro FMR Area is therefore:

$\$690 \times 1.2613 \times 1.03$
 $= \$870 \times 1.03 = \896 .

In candidate sub-area Z, the 2000 Census Base Rent differs from the X-Y-Z MSA 2000 Census Base Rent by more than 5 percent

$[(\$690 - \$625) / \$690 = \$65 / \$690 = 9.42\% > 5\%]$, so it is designated the Z HUD Metro FMR Area. Because of its difference from the X-Y-Z MSA 2000 Census Base Rent, the proposed FY2006 FMR for the Z HUD Metro FMR Area is estimated using that area's own 2000 Census Base Rent, a 2000-to-2005 FMR update factor derived from its OFA 2000 Census Base Rent to Revised Final FY2005 FMR update factor, and the X-Y-Z MSA 2005-to-2006 update factor. The proposed FY2006 FMR for the Z HUD Metro FMR Area is:

$\$625.00 \times 1.20 \times 1.03$
 $= \$750 \times 1.03 = \773 .

4. Application of an MSA RDD in an MSA With HMFAs

Finally, suppose that an RDD survey was performed in X-Y-Z MSA. The results of the MSA RDD survey are compared to a 2006 evaluated rent for the MSA. The 2006 X-Y-Z MSA evaluated rent is computed from the X-Y-Z MSA 2000 Census Base Rent, the combined 2000-to-2005 update factor for all of the candidate sub-areas, and the regionally estimated 2005-to-2006 update factor for the X-Y-Z MSA as follows:

$\$690 \times [(1.28 \times 500,000 + 1.23 \times 300,000 + 1.20 \times 200,000) / 1,000,000] \times 1.03$
 $= \$690 \times [(640,000 + 369,000 + 240,000) / 1,000,000] \times 1.03$
 $= \$690 \times [1,249,000 / 1,000,000] \times 1.03$
 $= \$690 \times 1.249 \times 1.03$
 $= \$862 \times 1.03 = \888

The RDD finds, however, that the proposed FY2006 FMR for the X-Y-Z MSA should be \$800. So, the actual RDD-based 2005-to-2006 update factor for the X-Y-Z MSA is set at the ratio of the RDD result to the MSA 2005 intermediate rent:

$\$800 / \$862 = 0.9281$.

The FMRs for the X-Y HUD Metro FMR Area and the Z HUD Metro FMR Area are computed by applying the MSA RDD-based 2005-to-2006 update factor (0.9281) to the two HMFAs' 2005 intermediate rents. Therefore, the proposed FY2006 FMR for the X-Y HUD Metro FMR Area is:

$\$690 \times 1.2613 \times 0.9281$
 $= \$870 \times 0.9281 = \808 ,
and the proposed FY2006 FMR for the Z HUD Metro FMR Area is:
 $\$625.00 \times 1.20 \times 0.9281$
 $= \$750 \times 0.9281 = \696 .

APPENDIX II.—CANDIDATE MSA SUB-AREAS WITH INSUFFICIENT FMR SAMPLE ASSIGNED TO ADJACENT AREAS

State	County or New England city or town	Old FMR area (OFA)	New MSA or HUD Metro FMR area assigned to
Alabama	Bibb County	Bibb County	Birmingham-Hoover, AL MSA.
	Geneva County	Geneva County	Dothan, AL MSA.
	Greene County	Greene County	Tuscaloosa, AL MSA.
	Hale County	Hale County	Tuscaloosa, AL MSA.
	Lowndes County	Lowndes County	Montgomery, AL MSA.
Arkansas	Cleveland County	Cleveland County	Pine Bluff, AR MSA.
	Lincoln County	Lincoln County	Pine Bluff, AR MSA.
	Madison County	Madison County	Fayetteville-Springdale-Rogers, AR-MO MSA.
	Perry County	Perry County	Little Rock-North Little Rock, AR MSA.
Colorado	Clear Creek County	Clear Creek County	Denver-Aurora, CO MSA.
	Elbert County	Elbert County	Denver-Aurora, CO MSA.
	Gilpin County	Gilpin County	Denver-Aurora, CO MSA.
Connecticut	Hartland town	Hartford County	Hartford-West Hartford-East Hartford, CT MSA.
	Chester town	Middlesex County	Hartford-West Hartford-East Hartford, CT MSA.
	Clinton town	New Haven-Meriden, CT	Southern Middlesex County, CT HUD Metro FMR Area.
	Deep River town	Middlesex County	Southern Middlesex County, CT HUD Metro FMR Area.
	Essex town	Middlesex County	Southern Middlesex County, CT HUD Metro FMR Area.
	Killingworth town	New Haven-Meriden, CT	Southern Middlesex County, CT HUD Metro FMR Area.
	Old Saybrook town	New London-Norwich, CT-RI	Southern Middlesex County, CT HUD Metro FMR Area.
	Westbrook town	Middlesex County	Southern Middlesex County, CT HUD Metro FMR Area.
	Lyme town	New London County	Norwich-New London, CT MSA.

APPENDIX II.—CANDIDATE MSA SUB-AREAS WITH INSUFFICIENT FMR SAMPLE ASSIGNED TO ADJACENT AREAS—
Continued

State	County or New England city or town	Old FMR area (OFA)	New MSA or HUD Metro FMR area assigned to	
Florida	Voluntown town	New London County	Norwich-New London, CT MSA.	
	Union town	Tolland County	Hartford-West Hartford-East Hartford, CT MSA.	
Georgia	Gilchrist County	Gilchrist County	Gainesville, FL MSA.	
	Jefferson County	Jefferson County	Tallahassee, FL MSA.	
	Baker County	Baker County	Albany, GA MSA.	
	Brantley County	Brantley County	Brunswick, GA MSA.	
	Brooks County	Brooks County	Valdosta, GA MSA.	
	Burke County	Burke County	Augusta-Richmond County, GA-SC MSA.	
	Crawford County	Crawford County	Macon, GA MSA.	
	Dawson County	Dawson County	Atlanta-Sandy Springs-Marietta, GA MSA.	
	Echols County	Echols County	Valdosta, GA MSA.	
	Heard County	Heard County	Atlanta-Sandy Springs-Marietta, GA MSA.	
	Jasper County	Jasper County	Atlanta-Sandy Springs-Marietta, GA MSA.	
	Lanier County	Lanier County	Valdosta, GA MSA.	
	McIntosh County	McIntosh County	Brunswick, GA MSA.	
	Marion County	Marion County	Columbus, GA-AL MSA.	
	Oglethorpe County	Oglethorpe County	Athens-Clarke County, GA MSA.	
	Pike County	Pike County	Atlanta-Sandy Springs-Marietta, GA MSA.	
	Idaho	Terrell County	Terrell County	Albany, GA MSA.
Worth County		Worth County	Albany, GA MSA.	
Boise County		Boise County	Boise City-Nampa, ID MSA.	
Franklin County		Franklin County	Logan, UT-ID MSA.	
Jefferson County		Jefferson County	Idaho Falls, ID MSA.	
Illinois	Owyhee County	Owyhee County	Boise City-Nampa, ID MSA.	
	Power County	Power County	Pocatello, ID MSA.	
	Calhoun County	Calhoun County	St. Louis, MO-IL MSA.	
	Ford County	Ford County	Champaign-Urbana, IL MSA.	
	Marshall County	Marshall County	Peoria, IL MSA.	
	Mercer County	Mercer County	Davenport-Moline-Rock Island, IA-IL MSA.	
	Piatt County	Piatt County	Champaign-Urbana, IL MSA.	
Indiana	Stark County	Stark County	Peoria, IL MSA.	
	Benton County	Benton County	Lafayette, IN MSA.	
	Brown County	Brown County	Indianapolis, IN MSA.	
	Franklin County	Franklin County	Cincinnati-Middletown, OH-KY-IN MSA.	
Iowa	Newton County	Newton County	Gary, IN HUD Metro FMR Area.	
	Ohio County	Cincinnati, OH-KY-IN	Cincinnati-Middletown, OH-KY-IN MSA.	
	Grundy County	Grundy County	Waterloo-Cedar Falls, IA MSA.	
	Guthrie County	Guthrie County	Des Moines, IA MSA.	
	Harrison County	Harrison County	Omaha-Council Bluffs, NE-IA MSA.	
	Madison County	Madison County	Des Moines, IA MSA.	
	Mills County	Mills County	Omaha-Council Bluffs, NE-IA MSA.	
Kansas	Doniphan County	Doniphan County	St. Joseph, MO-KS MSA.	
	Jackson County	Jackson County	Topeka, KS MSA.	
	Jefferson County	Jefferson County	Topeka, KS MSA.	
	Linn County	Linn County	Kansas City, MO-KS MSA.	
	Osage County	Osage County	Topeka, KS MSA.	
	Wabaunsee County	Wabaunsee County	Topeka, KS MSA.	
Kentucky	Bracken County	Bracken County	Cincinnati-Middletown, OH-KY-IN MSA.	
	Edmonson County	Edmonson County	Bowling Green, KY MSA.	
	Gallatin County	Cincinnati, OH-KY-IN	Cincinnati-Middletown, OH-KY-IN MSA.	
	Hancock County	Hancock County	Owensboro, KY MSA.	
	Henry County	Henry County	Louisville, KY-IN MSA.	
	Larue County	Larue County	Elizabethtown, KY MSA.	
	McLean County	McLean County	Owensboro, KY MSA.	
	Pendleton County	Cincinnati, OH-KY-IN	Cincinnati-Middletown, OH-KY-IN MSA.	
	Spencer County	Spencer County	Louisville, KY-IN MSA.	
	Trigg County	Trigg County	Clarksville, TN-KY MSA.	
	Trimble County	Trimble County	Louisville, KY-IN MSA.	
	Webster County	Webster County	Evansville, IN-KY MSA.	
	Louisiana	Cameron Parish	Cameron Parish	Lake Charles, LA MSA.
		De Soto Parish	De Soto Parish	Shreveport-Bossier City, LA MSA.
East Feliciana Parish		East Feliciana Parish	Baton Rouge, LA MSA.	
Grant Parish		Grant Parish	Alexandria, LA MSA.	
Pointe Coupee Parish		Pointe Coupee Parish	Baton Rouge, LA MSA.	
St. Helena Parish		St. Helena Parish	Baton Rouge, LA MSA.	
Union Parish		Union Parish	Monroe, LA MSA.	
Maine	West Feliciana Parish	West Feliciana Parish	Baton Rouge, LA MSA.	
	Durham town	Androscoggin County	Lewiston-Auburn, ME MSA.	
	Leeds town	Androscoggin County	Lewiston-Auburn, ME MSA.	
	Livermore town	Androscoggin County	Lewiston-Auburn, ME MSA.	

APPENDIX II.—CANDIDATE MSA SUB-AREAS WITH INSUFFICIENT FMR SAMPLE ASSIGNED TO ADJACENT AREAS—
Continued

State	County or New England city or town	Old FMR area (OFA)	New MSA or HUD Metro FMR area assigned to	
Massachusetts	Livermore Falls town	Androscoggin County	Lewiston-Auburn, ME MSA.	
	Minot town	Androscoggin County	Lewiston-Auburn, ME MSA.	
	Blandford town	Hampden County	Springfield, MA MSA.	
	Brimfield town	Hampden County	Springfield, MA MSA.	
	Chester town	Hampden County	Springfield, MA MSA.	
	Granville town	Hampden County	Springfield, MA MSA.	
	Holland town	Worcester, MA—CT	Springfield, MA MSA.	
	Tolland town	Hampden County	Springfield, MA MSA.	
	Wales town	Hampden County	Springfield, MA MSA.	
	Chesterfield town	Hampshire County	Springfield, MA MSA.	
	Cummington town	Hampshire County	Springfield, MA MSA.	
	Goshen town	Hampshire County	Springfield, MA MSA.	
	Middlefield town	Hampshire County	Springfield, MA MSA.	
	Pelham town	Hampshire County	Springfield, MA MSA.	
	Plainfield town	Hampshire County	Springfield, MA MSA.	
	Westhampton town	Hampshire County	Springfield, MA MSA.	
Worthington town	Hampshire County	Springfield, MA MSA.		
Ashby town	Fitchburg—Leominster, MA	Boston-Cambridge-Quincy, MA-NH HUD Metro FMR Area.		
Minnesota	Marion town	New Bedford, MA	Brockton, MA HUD Metro FMR Area.	
	Mattapoiset town	New Bedford, MA	Brockton, MA HUD Metro FMR Area.	
	Rochester town	New Bedford, MA	Brockton, MA HUD Metro FMR Area.	
	Dodge County	Dodge County	Rochester, MN MSA.	
Mississippi	Copiah County	Copiah County	Jackson, MS MSA.	
	George County	George County	Pascagoula, MS MSA.	
Missouri	Perry County	Perry County	Hattiesburg, MS MSA.	
	Stone County	Stone County	Gulfport-Biloxi, MS MSA.	
	Caldwell County	Caldwell County	Kansas City, MO-KS MSA.	
	DeKalb County	DeKalb County	St. Joseph, MO-KS MSA.	
	Howard County	Howard County	Columbia, MO MSA.	
Montana	Osage County	Osage County	Jefferson City, MO MSA.	
Nebraska	Carbon County	Carbon County	Billings, MT MSA.	
Nevada	Dixon County	Dixon County	Sioux City, IA-NE-SD MSA.	
New Hampshire	Storey County	Storey County	Reno-Sparks, NV MSA.	
	Pelham town	Lowell, MA—NH	Nashua, NH HUD Metro FMR Area.	
	Deerfield town	Rockingham County	Western Rockingham County, NH HUD Metro FMR Area.	
	Northwood town	Rockingham County	Western Rockingham County, NH HUD Metro FMR Area.	
	Nottingham town	Rockingham County	Western Rockingham County, NH HUD Metro FMR Area.	
	Middleton town	Strafford County	Portsmouth-Rochester, NH HUD Metro FMR Area.	
	New Durham town	Strafford County	Portsmouth-Rochester, NH HUD Metro FMR Area.	
New Mexico	Strafford town	Strafford County	Portsmouth-Rochester, NH HUD Metro FMR Area.	
	Torrance County	Torrance County	Albuquerque, NM MSA.	
Rhode Island	New Shoreham town	Washington County	Westerly-Hopkinton-New Shoreham, RI HUD Metro FMR Area.	
South Carolina	Calhoun County	Calhoun County	Columbia, SC MSA.	
	Fairfield County	Fairfield County	Columbia, SC MSA.	
South Dakota	Saluda County	Saluda County	Columbia, SC MSA.	
	McCook County	McCook County	Sioux Falls, SD MSA.	
	Turner County	Turner County	Sioux Falls, SD MSA.	
Tennessee	Union County	Union County	Sioux City, IA-NE-SD MSA.	
	Cannon County	Cannon County	Nashville-Davidson—Murfreesboro, TN MSA.	
	Polk County	Polk County	Cleveland, TN MSA.	
	Sequatchie County	Sequatchie County	Chattanooga, TN-GA MSA.	
	Trousdale County	Trousdale County	Nashville-Davidson—Murfreesboro, TN MSA.	
Texas	Armstrong County	Armstrong County	Amarillo, TX MSA.	
	Bandera County	Bandera County	San Antonio, TX MSA.	
	Burleson County	Burleson County	College Station-Bryan, TX MSA.	
	Callahan County	Callahan County	Abilene, TX MSA.	
	Carson County	Carson County	Amarillo, TX MSA.	
	Clay County	Clay County	Wichita Falls, TX MSA.	
	Crosby County	Crosby County	Lubbock, TX MSA.	
	Delta County	Delta County	Dallas-Fort Worth-Arlington, TX MSA.	
	Goliad County	Goliad County	Victoria, TX MSA.	
	Irion County	Irion County	San Angelo, TX MSA.	
	Jones County	Jones County	Abilene, TX MSA.	
	Robertson County	Robertson County	College Station-Bryan, TX MSA.	
	San Jacinto County	San Jacinto County	Houston-Baytown-Sugar Land, TX MSA.	
	Utah	Juab County	Juab County	Provo-Orem, UT MSA.
		Morgan County	Morgan County	Ogden-Clearfield, UT MSA.
	Vermont	Bolton town	Chittenden County	Burlington-South Burlington, VT MSA.

APPENDIX II.—CANDIDATE MSA SUB-AREAS WITH INSUFFICIENT FMR SAMPLE ASSIGNED TO ADJACENT AREAS—
Continued

State	County or New England city or town	Old FMR area (OFA)	New MSA or HUD Metro FMR area assigned to
Virginia	Buelsgore	Chittenden County	Burlington-South Burlington, VT MSA.
	Huntington town	Chittenden County	Burlington-South Burlington, VT MSA.
	Underhill town	Chittenden County	Burlington-South Burlington, VT MSA.
	Westford town	Chittenden County	Burlington-South Burlington, VT MSA.
	Bakersfield town	Franklin County	Burlington-South Burlington, VT MSA.
	Berkshire town	Franklin County	Burlington-South Burlington, VT MSA.
	Enosburg town	Franklin County	Burlington-South Burlington, VT MSA.
	Fairfield town	Franklin County	Burlington-South Burlington, VT MSA.
	Fletcher town	Franklin County	Burlington-South Burlington, VT MSA.
	Franklin town	Franklin County	Burlington-South Burlington, VT MSA.
	Highgate town	Franklin County	Burlington-South Burlington, VT MSA.
	Montgomery town	Franklin County	Burlington-South Burlington, VT MSA.
	Richford town	Franklin County	Burlington-South Burlington, VT MSA.
	Sheldon town	Franklin County	Burlington-South Burlington, VT MSA.
	Alburg town	Grand Isle County	Burlington-South Burlington, VT MSA.
	Isle La Motte town	Grand Isle County	Burlington-South Burlington, VT MSA.
	North Hero town	Grand Isle County	Burlington-South Burlington, VT MSA.
	Amelia County	Amelia County	Richmond, VA MSA.
	Appomattox County	Appomattox County	Lynchburg, VA MSA.
	Caroline County	Caroline County	Richmond, VA MSA.
Clarke County	Clarke County, VA	Washington-Arlington-Alexandria, DC-VA-MD-WV MSA.	
Craig County	Craig County	Roanoke, VA MSA.	
Cumberland County	Cumberland County	Richmond, VA MSA.	
King and Queen County	King and Queen County	Richmond, VA MSA.	
King William County	King William County	Richmond, VA MSA.	
Nelson County	Nelson County	Charlottesville, VA MSA.	
Surry County	Surry County	Virginia Beach-Norfolk-Newport News, VA-NC MSA.	
Sussex County	Sussex County	Richmond, VA MSA.	
Skamania County	Skamania County	Portland-Vancouver-Beaverton, OR-WA MSA.	
Clay County	Clay County	Charleston, WV MSA.	
Lincoln County	Lincoln County	Charleston, WV MSA.	
Morgan County	Morgan County	Hagerstown-Martinsburg, MD-WV MSA.	
Pleasants County	Pleasants County	Parkersburg-Marietta, WV-OH MSA.	
Wirt County	Wirt County	Parkersburg-Marietta, WV-OH MSA.	
Kewaunee County	Kewaunee County	Green Bay, WI MSA.	
Añasco Municipio	Mayagez, PR	Aguadilla-Isabela-San Sebastián, PR MSA.	

Note: Counties or New England cities or towns with common Old FMR Area names are in the same insufficient sample candidate sub-area.