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Part III

Department of Housing and Urban Development

**Proposed Fair Market Rents for the
Housing Choice Voucher Program and
Moderate Rehabilitation Single Room
Occupancy Program; Fiscal Year 2007;
Notice**

**DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

[Docket No. FR-5068-N-01]

**Proposed Fair Market Rents for the
Housing Choice Voucher Program and
Moderate Rehabilitation Single Room
Occupancy Program; Fiscal Year 2007**

AGENCY: Office of the Assistant Secretary for Policy Development and Research, HUD.

ACTION: Notice of Proposed Fiscal Year (FY) 2007 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 FY2007. 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 FY2007 FMRs continue to use the revised Office of Management and Budget (OMB) area definitions that were issued in 2003 and were used in establishing FY2006 FMR areas and FMRs. They also continue to use the same calculation methodology. They differ, however, in that a limited number of additional modifications to the county-based statistical areas as defined by OMB have been made in response to public comments received on the December 16, 2005, **Federal Register** notice on the proposed FY2006 income limit calculation methodology.

In the FY2006 FMRs, HUD disaggregated OMB-defined areas when the FMRs of their components as defined by FY2005 FMR areas differed by more than 5 percent to better reflect housing market relationships. Most FY2006 FMR areas consisting of multiple FY2005 FMR areas after the 5 percent test was applied to rents had similar income limits among the component parts. A few such areas would have substantial declines in income limits for some of their component parts under the FY2006 FMR area definitions. Income limit decreases are disruptive to certain HUD and other Federal housing subsidy programs. Income limit areas generally have the same boundaries as FMR areas.

In order to minimize large changes in income limits in these combined areas with similar rents but differing income levels, HUD is proposing for FY2007 FMRs to form FMR sub-areas within OMB-defined metropolitan areas in all cases where sub-area median family incomes differ from OMB-defined area median family incomes by more than 5 percent. The FMR estimates have been trended to April 2007, the mid-point of FY2007.

DATES: *Comments Due Date:* August 1, 2006.

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, Department of Housing and Urban Development, 451 Seventh Street, SW., Room 10276, 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.

Submission of Hard Copy Comments. To ensure that the information is fully considered by all of the reviewers, each commenter that is submitting hard copy comments, by mail or by hand delivery, is requested to submit two copies of its comments to the address above, one addressed to the attention of the Rules Docket Clerk and the other addressed to the attention of Economic and Market Analysis Division staff in the appropriate HUD field office. Due to security measures at all Federal agencies, submission of comments by mail often result in delayed delivery. To ensure timely receipt of comments, HUD recommends that any comments submitted by mail be submitted at least two weeks in advance of the public comment deadline to ensure timely receipt by HUD.

Electronic Submission of Comments. Since July 2004, HUD has been able to receive comments electronically. Interested persons may now submit comments electronically through the Federal eRulemaking Portal at <http://www.regulations.gov>. HUD *strongly encourages* commenters to submit comments electronically. Electronic submission of comments allows the commenter maximum time to prepare and submit a comment, ensures timely receipt by HUD, and enables HUD to make them immediately available to the public. Comments submitted electronically through the <http://www.regulations.gov> Web site can be viewed by other commenters and interested members of the public. Commenters should follow the

instructions provided on that site to submit comments electronically.

No Facsimile Comments. Facsimile (FAX) comments are not acceptable. In all cases, communications must refer to the docket number and title.

Public Inspection of Public Comments. All comments and communications submitted to HUD will be available, without charge, for public inspection and copying between 8 a.m. and 5 p.m. weekdays at the above address. Due to security measures at the HUD Headquarters building, an advance appointment to review the public comments must be scheduled by calling the Regulations Division at (202) 708-3055 (this is not a toll-free number). Copies of all comments submitted are available for inspection and downloading at <http://www.regulations.gov>.

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, <http://www.huduser.org/datasets/fmr.html>. FMRs are listed at the 40th or 50th percentile in Schedule B. For informational purposes, 40th percentile recent mover rents for the areas with 50th percentile FMRs will be provided in the HUD FY2007 FMR documentation system at: <http://www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr07>. 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: <http://www.gpoaccess.gov/fr/index.html>. Complete documentation of the methodology and data used to compute each area’s Proposed FY2007 FMRs is available at: <http://www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr07>.

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. In a notice published February 14, 2006, HUD designated the 24 areas determined eligible for the 50th percentile FMRs, and these changes became effective on March 1, 2006 (see <http://www.huduser.org/datasets/fmr.html> for further information on the designation of 50th percentile FMR areas). These areas will not be evaluated for three years. Of the areas that did not meet the test for continued use of 50th percentile FMRs, HUD found only one area ineligible because of lack of progress in alleviating concentration of voucher tenants, the Bergen-Passaic metropolitan area. This area is ineligible to use FMRs set at the 50th percentile for the next three years, however, it may be eligible for a higher payment standard, as discussed in 24 CFR 982.503(f). All other areas are evaluated annually to determine if they become newly eligible.

The following areas have been determined to be newly eligible based on the rules specified in the February 14, 2006, notice and on Housing Choice Voucher program data as of December 31, 2005: Dallas, TX HMFA, Fort Lauderdale, FL HMFA, San Diego-Carlsbad-San Marcos, CA MSA, West Palm Beach-Boca Raton, FL HMFA.

III. FMR Methodology

The proposed FY2007 FMRs generally follow the same calculation methodology used for FY2006, but include a limited number of changes in metropolitan area definitions resulting from an alteration in HUD’s formula for dividing OMB-defined metropolitan areas. HUD continues to use the most recent core-based metropolitan statistical areas in calculating FMRs as defined by OMB in OMB Bulletin 06–01 with some modifications that disaggregate some OMB areas (see <http://www.whitehouse.gov/omb/bulletins/fy2006/b06-01.pdf>). The most recent OMB definitions have been implemented with modifications intended to minimize changes in both FMRs and income limits due solely to the use of the most recent OMB definitions. All proposed metropolitan FMR areas consist of areas within OMB metropolitan areas. The FY2006 FMRs created separate FMR areas for any parts of old metropolitan areas, or formerly nonmetropolitan counties, that would have more than a 5 percent increase or decrease in their 2000 Census base 40th percentile 2-bedroom rent as a result of implementing the new OMB definitions. Most FY2006 FMR areas consisting of multiple parts of old metropolitan areas

and/or formerly nonmetropolitan counties after the 5 percent test was applied to rents had similar income limits among the component parts. A few such areas would have substantial declines in income limits for some of their component parts under the FY2006 FMR area definitions. Income limit decreases are disruptive to certain HUD and other federal housing subsidy programs where unit rents are tied to current income limits. HUD, therefore, generally does not allow income limits to fall—a “hold harmless” policy. Without an income limit hold harmless policy, program rent revenue in subsidized rental projects with rents tied to income limits may fall below expense and debt service levels potentially leading to default on debt or departure from the program. Income limit areas generally have the same boundaries as FMR areas (the only difference being statutorily mandated exceptions). In order to minimize large changes in income limits in these combined areas with similar rents but differing income levels, HUD is proposing for the FY2007 FMRs to create separate FMR areas for any parts of old metropolitan areas, or formerly nonmetropolitan counties, that would have: More than a 5 percent increase or decrease in their 2000 Census base area median family income as a result of implementing the new OMB definitions; and a sufficiently large sample of 2000 Census recent mover rents to compute an individual FMR.

The addition of the 2000 Census base median family income analysis can have three possible effects on an FMR area and its FMRs as defined in FY2006: (1) A new sub-area may be formed e.g., Kendall County, IL HMFA removed from the Chicago-Naperville-Joliet, IL HMFA); (2) an existing sub-area may be assigned its own 2000 Census base rent instead of the CBSA base rent (e.g., Danbury, CT HMFA); or (3) an existing sub-area may lose a component which affects the computation of the sub-area’s 2000-to-2005 update factor (e.g., Youngstown-Warren-Boardman, OH HMFA lost the new Sharon, PA HMFA). A complete list of changes from the FY2006 FMRs due to the use of the 2000 Census Base Median Family Income comparison in forming metropolitan sub-areas is provided in subsection F below.

For nonmetropolitan areas, FMRs continue to be calculated at the county level.

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 publicly-releasable data file that permits almost exact replication of HUD's 2000 Census base rent calculations in all areas except those with few rental units. This data set is located on HUD's HUD USER Web site at: <http://www.huduser.org/datasets/fmr/CensusRentData/index.html>. 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/index.asp?data=docs>.

The proposed FY2007 FMRs are also benchmarked to the 2000 Census. The 2000 Census base rents computed for the proposed FY2007 FMRs use the same computational techniques as used in 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 2007 update factor for the new FMR areas. CPI gross rent and utility indexes are used for the remainder. A publicly releasable version of the data used in preparing the proposed FY2007 FMRs is available at the following Web site: <http://www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr07>.

B. FMR Updates: 2000 Census to 2005

For the new FMR areas, used in the FY2006 FMRs and revised for the proposed FY2007 FMRs, 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 at <http://www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr07>.

After 2000 Census base rent estimates were established for each old 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 period were based either on the area-specific Consumer Price Index (CPI) survey data that were available for the largest metropolitan areas or on HUD random digit dialing (RDD) survey data by region.

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. Regional RDD surveys were done for 20 areas—the metropolitan and non-metropolitan 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 random digit dialing telephone surveys for selected areas and incorporated these into FMR update factors. The specific 2000-to-2005 update factors that apply to each FY2007 FMR area's constituent parts are described at <http://www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr07>.

C. Updates From 2005 to Proposed FY2007

After using the old FMR area data to update rents to 2005, metropolitan area and non-metropolitan county update factors from 2005 to 2007 are applied to derive the proposed FY2007 FMRs. All new FMR areas that are parts of new metropolitan areas are generally updated with the same metropolitan area-level 2005 to 2007 update factor.

Specifically, local CPI data is used to move rents from the end of 2003 to the end of 2005 and the same 15-month trending factor is then applied. Regional RDDs, however, were not conducted in 2004 or 2005 in anticipation of the arrival of American Community Survey (ACS) data. Therefore, for proposed FY2007 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 2005 ACS will be used to replace regional CPI data if it becomes available in time for inclusion in the final FY2007 publication. Once full-scale ACS data collections 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.

Random digit dialing (RDD) surveys are conducted for areas HUD has reason

to believe may have unusual rent movements. One RDD was completed in time for publication of FY2007 proposed FMRs. The RDD for Miami-Miami Beach-Kendall, FL HMFA indicated an increase in the 2-bedroom FMR from \$937 to \$1,018. HUD is conducting special RDD surveys in several Gulf Coast FMR areas using a special protocol to detect possible changes in rents since Hurricanes Katrina and Rita. The addition of the post-hurricane protocols delayed results of these surveys so they are not available for inclusion in this notice. Significant changes in rents revealed by these surveys will be included in final FY2007 FMRs.

The area-specific data and computations used to determine FMR area definitions and calculate proposed FY2007 FMRs can be found at <http://www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr07>.

D. Large Bedroom Rents

FMR estimates are calculated for two-bedroom units. This is generally 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. This was last done using 2000 Census data. A publicly releasable version of the data file used that permits derivations of rent ratios is available at <http://www.huduser.org/datasets/fmr/CensusRentData/index.html>.

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, who 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 ranges used were: Efficiency units are constrained to fall between 0.65 and 0.83 of the two-bedroom FMR; one-bedroom units must be between 0.76 and 0.90 of the two-bedroom unit; three-bedroom units must be between 1.10 and 1.34 of the two-bedroom unit; and four-bedroom units must be 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, non-metropolitan 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.

E. Future FMR Annual Updates

HUD believes the current OMB definitions of metropolitan statistical areas (MSAs) are reasonable definitions of housing markets whose relevance will increase with time. That is, while HUD makes distinctions among housing

markets within some of these areas based on differences in rents and incomes measured in 2000, the new MSAs are probably better reflections of current rental housing markets than of 2000 rental housing markets, and will be shown to be increasingly good approximations of housing markets as more data are gathered in the future. 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 random digit dialing (RDD) telephone surveys will generally 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 FMR area FMRs within the metropolitan area. HUD will accept information supplied by local housing authorities to make adjustments to FMRs.

The release of 2005 Census American Community Survey data later this year will initiate a major change in FMR calculations. Starting in 2005, the Census fully implemented ACS surveys, which are annual surveys that collect essentially all of the data that were collected on the 2000 Census long form (sample survey). The surveys are large enough to provide annual FMR estimates for large metropolitan areas, and two or more years of data can be combined to provide reliable estimates for smaller areas. The ACS offers more current and accurate rent data than have ever been systematically available for calculating FMRs. HUD will re-benchmark all metropolitan areas and 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 FY2007 separation of sub-areas within metropolitan areas will be re-examined to determine if FMR area base rents and median family incomes from the new survey are sufficiently different to warrant their continued separation within the metropolitan area for areas separated based on 2000 Census base rent and

base median family income differentials.

F. FMR Area Changes Resulting From 2000 Census Base Median Family Income Comparisons

For this notice, HUD created separate FMR areas based on 2000 Census base median family incomes for any parts of old metropolitan areas, or formerly nonmetropolitan counties, that have a differential of more than 5 percent from the current OMB area 2000 Census base median family income. The limited number of areas in question did not qualify as separate areas based on the 2000 Census base rent analysis that was used to determine FMR areas in FY2006. Therefore, these areas should not have substantial increases or decreases in their FMRs if they are treated as separate income limit/FMR sub-areas. The addition of the 2000 Census base median family income analysis can have three possible effects on an FMR area and its FMRs as defined in FY2006: (1) A new sub-area may be formed; (2) an existing sub-area may be assigned its own 2000 Census base rent instead of the CBSA base rent; or (3) an existing sub-area may lose a component which affects the computation of the sub-area's 2000-to-2005 update factor.

The table below provides a list of the areas affected by this new approach. It compares the FY2006 FMR to the Revised FY2006 Rent that reflects the impact of the 2000 Census base median family income comparison for the new metropolitan area and its former FMR area components. The difference shown is the difference between the currently effective FY2006 FMR and what it would have been if the new area had been used to calculate FY2006 FMRs (the FY2006 Equivalent Rent with Income Comparison). The FY2006 Equivalent Rent, which is provided for informational purposes only and is not intended to be effective, provides the link between the current and the proposed FMRs for an area. For a complete explanation of how each FMR area definition is determined and how the proposed FY2007 FMRs for the area are computed, see <http://www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr07>.

AREAS CHANGED BY 2000 CENSUS BASE MEDIAN FAMILY INCOME COMPARISON

Areas	Final FY2006 FMR (no income comparison)	FY2006 equivalent rent with income comparison	FY2006 equivalent rent less final FY2006 FMR	Proposed FY2007 FMR
Areas Changed From CBSA Base to Sub-Area Base				
Bangor, ME HMFA	642	670	28	704

AREAS CHANGED BY 2000 CENSUS BASE MEDIAN FAMILY INCOME COMPARISON—Continued

Areas	Final FY2006 FMR (no income comparison)	FY2006 equivalent rent with income comparison	FY2006 equivalent rent less final FY2006 FMR	Proposed FY2007 FMR
Bloomington, IN HMFA	621	648	27	668
Danbury, CT HMFA	1148	1195	47	1267
Hagerstown, MD HMFA	629	639	10	673
Iowa City, IA HMFA	653	662	9	682
Jefferson City, MO HMFA	504	507	3	522
Jonesboro, AR HMFA	490	503	13	523
Manchester, NH HMFA	1013	966	-47	1001
Miami-Miami Beach-Kendall, FL HMFA	911	883	-28	¹ 1018
New York, NY HMFA	1133	1123	-10	1189
San Juan-Guaynabo, PR HMFA	403	² 486	83	506
New Sub-Areas				
Kendall County, IL HMFA	901	878	-23	911
Union County, OH HMFA	655	691	36	712
Martinsburg, WV HMFA	629	622	-7	655
Calloway County, MO HMFA	504	503	-1	518
Shelby County, KY HMFA	563	580	17	602
Monroe County, GA HMFA	542	524	-18	545
Fort Lauderdale, FL HMFA *	911	993	82	1054
West Palm Beach-Boca Raton, FL HMFA *	911	996	85	1057
Monmouth-Ocean, NJ HMFA	1133	1105	-28	1170
Sharon, PA HMFA	541	543	2	562
Areas Whose Rent Changed Solely Due to Loss of Part to New Sub-Area and Its Effect on Update Factors				
Columbus, OH HMFA	655	654	-1	674
Louisville, KY-IN HMFA	563	562	-1	584
Youngstown-Warren-Boardman, OH HMFA	541	539	-2	558

¹ Includes an RDD-based adjustment.

² This rent includes the results of the Puerto Rico RDD revision described in a separate notice published June 2, 2006 at 71 FR 32123-4.

* Also becomes 50th percentile FMR area in FY2007.

IV. 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 FY2006 were updated to FY2007 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 benchmarked two-bedroom rent, the exception remains 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 are requested to submit new surveys to

justify higher than standard space rental FMRs if they believe higher space rental allowances are needed.

V. 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 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, in 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 the following address: <http://www.huduser.org/datasets/fmr.html>.

Other survey methodologies are acceptable in providing data to support comments, 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 public housing authority’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 30, 2006.

Darlene F. Williams,

Assistant Secretary for Policy Development and Research.

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 FY2007 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 the Office of Management and Budget, with some modifications. HUD is generally assigning separate FMRs to the component counties of CBSA Micropolitan Areas.

b. *Modifications to OMB Definitions*—Following OMB guidance, the estimation procedure for the FY2007 proposed FMRs incorporates the current OMB definitions of metropolitan areas based on the 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 or median incomes 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 in the future 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 1999 definition MSAs/PMSAs, metro counties deleted from 1999 definition MSAs/PMSAs by HUD for FMR purposes, and counties and county parts

outside of 1999 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 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, or when the 2000 Census Median Family Income for the sub-area differs by at least 5 percent from the MSA 2000 Census Median Family Income. 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 specific counties and New England towns and cities within each state in MSAs and HMFAs are listed in the FMR tables.

2. Bedroom Size Adjustments

Schedules 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 (and 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.

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