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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 2009;
Notice**

**DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

[Docket No. FR-5223-N-01]

**Proposed Fair Market Rents for the
Housing Choice Voucher Program and
Moderate Rehabilitation Single Room
Occupancy Program Fiscal Year 2009**

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

ACTION: Notice of Proposed Fiscal Year (FY) 2009 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 FY 2009 to be 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 FY 2009 FMR areas are based on current Office of Management and Budget (OMB) metropolitan area definitions and include HUD modifications that were first used in the determination of FY 2006 FMR areas. OMB changes to the metropolitan area definitions through November 2007 are incorporated. This means that there are six Metropolitan Statistical Area (MSA) name changes that reorder, add, or delete a primary city name.¹ Proposed FY 2009 FMRs are based on 2000 Census data updated with more current survey data. For FY 2009, FY 2008 FMRs are updated using 2006 American Community Survey (ACS) data, Random Digit Dialing (RDD) telephone rent surveys conducted since the release of the final FY 2008 FMRs, and more recent Consumer Price Index (CPI) rent and utility indexes. HUD continues to use ACS data in different ways according to how many two-bedroom standard-quality and recent-mover sample cases are available in the FMR area or its Core-Based Statistical Area (CBSA). Revised 2006 FMRs based on Census and ACS data have been updated with CPI data through the end

¹ The change from Sarasota-Bradenton-Venice, FL MSA to Bradenton-Sarasota-Venice, FL MSA includes a change in the primary city name and a change in the metropolitan code, from 42260 to 14600.

of 2007 and then trended to April 2009, the mid-point of FY 2009.

This notice also provides revised FY 2008 FMRs for 10 areas based on RDD surveys conducted in early 2008. These areas are small metropolitan or nonmetropolitan areas from the oil- and gas-producing regions of Colorado, Texas, Utah, and Wyoming that have experienced increased pressure on their rental housing market over the past 2 years or more.

DATES: *Comment Due Date:* August 1, 2008.

ADDRESSES: Interested persons are invited to submit comments regarding HUD's estimates of the FMRs, as published in this notice, to the Office of 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 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 2 weeks in advance of the public comment deadline.

Electronic Submission of Comments. Interested persons may 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 instructions provided on that site to submit comments electronically.

No Facsimile Comments. Facsimile (FAX) comments are not acceptable.

Public Inspection of 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 FMRs or a listing of all FMRs, please call the HUD USER information line at 1-800-245-2691 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 FY 2009 FMR documentation system at <http://www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr09>.

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 concerning 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 1-800-877-8339. (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 geographic 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 (nonluxury) 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 at <http://www.hudclips.org>. Federal Register notices also are available electronically from <http://www.gpoaccess.gov/fr/index.html>, the U.S. Government Printing Office Web site. Complete documentation of the methodology and data used to compute

each area's proposed FY 2009 FMRs is available at <http://www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr09>.

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 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. No new areas became eligible for 50th percentile rents. HUD reviewed 24 50th-percentile FMR areas for these proposed FY 2009 FMRs. The 24 areas are listed in the table below. As shown in the table, HMFA is an acronym for HUD Metro FMR Area, which is an MSA subarea, or the remaining portions of an MSA after subareas have been determined.

FY 2008 50TH-PERCENTILE FMR AREAS REVIEWED FOR ELIGIBILITY AS FY 2009 50TH-PERCENTILE FMR AREAS

Albuquerque, NM MSA	Austin-Round Rock, TX MSA.
Baltimore-Towson, MD MSA	Bradenton-Sarasota-Venice, FL MSA.
Chicago-Naperville-Joliet, IL HMFA	Denver-Aurora, CO MSA.
Fort Worth-Arlington, TX HMFA	Grand Rapids-Wyoming, MI HMFA.
Hartford-West Hartford-East Hartford, CT HMFA	Honolulu, HI MSA.
Houston-Baytown-Sugar Land, TX HMFA	Kansas City, MO-KS, HMFA.
Las Vegas-Paradise, NV MSA	Milwaukee-Waukesha-West Allis, WI MSA.
New Haven-Meriden, CT HMFA	Orange County, CA HMFA.
Phoenix-Mesa-Scottsdale, AZ MSA	Providence-Fall River, RI-MA HMFA.
Richmond, VA HMFA	Riverside-San Bernardino-Ontario, CA MSA.
Tacoma, WA HMFA	Tucson, AZ MSA.
Virginia Beach-Norfolk-Newport News, VA-NC MSA	Washington-Arlington-Alexandria, DC-VA-MD HMFA.

Fourteen of the 24 current 50th-percentile areas eligible for review fail to qualify for the 50th-percentile FMR program for FY 2009. Two of these areas, as shown below, no longer qualify for the 50th-percentile FMR program

because, based on current tenant data, less than 25 percent of the tenant-based rental program participants reside in the 5 percent of census tracts in the metropolitan areas with the largest number of program participants. These

areas can be reviewed annually to see if this concentration changes and may be reinstated as 50th-percentile areas as early as the FY 2010 FMRs.

FY 2008 50TH-PERCENTILE FMR AREAS NOT ELIGIBLE FOR FY 2009 50TH-PERCENTILE FMRs BECAUSE VOUCHER TENANT CONCENTRATIONS HAVE FALLEN BELOW THE ELIGIBILITY THRESHOLD

Grand Rapids-Wyoming, MI HMFA	Providence-Fall River, RI-MA HMFA.
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Three additional areas did not meet the minimum reporting criteria of 85 percent of resident records. These areas are denied eligibility until their

reporting rate increases to 85 percent. Areas with reporting rate deficiencies can be reviewed annually, so these areas may be eligible for reinstatement of

50th-percentile FMRs in FY 2010. These areas are listed below:

FY 2008 50TH-PERCENTILE FMR AREAS NOT ELIGIBLE FOR FY 2009 50TH-PERCENTILE FMRs BECAUSE FMR AREA VOUCHER REPORTING RATES ARE TOO LOW

Baltimore-Towson, MD MSA	New Haven-Meriden, CT HMFA.
Washington-Arlington-Alexandria, DC-VA-MD HMFA	

The table below shows nine areas that failed to deconcentrate over the 3-year period. Deconcentration of tenants is the primary objective of the 50th-percentile

program and failure to make any progress to deconcentrate tenants over a 3-year period disqualifies an otherwise eligible area for 3 years. These areas are

not eligible for reevaluation until FY 2012.

FY 2008 50TH-PERCENTILE FMR AREAS NOT ELIGIBLE FOR FY 2009 50TH-PERCENTILE FMRS FOR FAILURE TO DECONCENTRATE VOUCHER TENANTS

Austin-Round Rock, TX MSA	Fort Worth-Arlington, TX HMFA.
Honolulu, HI MSA	Las Vegas-Paradise, NV MSA.
Orange County, CA HMFA	Phoenix-Mesa-Scottsdale, AZ MSA.
Riverside-San Bernardino-Ontario, CA MSA	Tucson, AZ MSA.
Virginia Beach-Norfolk-Newport News, VA-NC MSA	

Ten of the 24 areas reviewed will stay in the 50th-percentile FMR program. The ten areas will not be re-evaluated until FY 2012.

FY 2008 50TH-PERCENTILE FMR AREAS EVALUATED AND CONTINUING WITH 50TH-PERCENTILE FMRS IN FY 2009

Albuquerque, NM MSA	Bradenton-Sarasota-Venice, FL MSA.
Chicago-Naperville-Joliet, IL HMFA	Denver-Aurora, CO MSA.
Hartford-West Hartford-East Hartford, CT HMFA	Houston-Baytown-Sugar Land, TX HMFA.
Kansas City, MO-KS HMFA	Milwaukee-Waukesha-West Allis, WI MSA.
Richmond, VA HMFA	Tacoma, WA HMFA.

Four current 50th-percentile FMR areas were not evaluated this year because they have not completed 3 years of program participation. These four areas, listed below, will be evaluated for the FY 2010 FMRS:

FY 2008 50TH-PERCENTILE FMR AREAS NOT SLATED FOR ELIGIBILITY EVALUATION AND CONTINUING WITH 50TH-PERCENTILE FMRS IN FY 2009

Dallas, TX HMFA	Fort Lauderdale, FL HMFA.
San Diego-Carlsbad-San Marcos, CA MSA	West Palm Beach-Boca Raton, FL HMFA.

III. FMR Methodology

This section provides a brief overview of how the FY 2009 FMRS are computed. For complete information on how FMR areas are determined, and on how each area's FMRS are derived, see the online documentation at: <http://www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr09>.

The FY 2009 FMRS are based on current OMB metropolitan area definitions that were first used in the FY 2006 FMRS. OMB changes to the metropolitan area definitions through November 2007 are incorporated. This means there are six MSA name changes that reorder, add, or delete a primary city name. The area definitions based on 2000 Census data have the advantages of providing more relevant commuting interchange standards, and more current measures of housing market relationships than those based on 1990 Census data and used prior to the FY 2006 FMRS.

A. Data Sources—2000 Census and American Community Survey

FY 2009 FMRS are based on changes in rents measured by differences in ACS data collected in 2005 and 2006 and updated with CPI data. For FY 2008 FMRS, HUD developed 2005 rent estimates based on updating 2000 Census gross rent data with more current survey data from the Census

Bureau's 2005 ACS. The first full year of implementation for the ACS was 2005, and these data were available to use in the FY 2008 FMRS. FY 2009 FMRS use data from the 2006 ACS to update these 2005 rent estimates. While the Census Bureau intends for the ACS to replace the Decennial Census sample "long form" for collecting detailed socioeconomic data, the ACS has several important distinctions from the decennial long form. These include:

- The ACS is conducted on a continuous "rolling" basis throughout the year, so survey responses do not correspond to a particular date, whereas the long form responses were as of the Census date of April 1. This has implications for the "as-of" date assumed for ACS-based rents. The "as-of" date for ACS-based rents is set at June 30 of the ACS year.

- The ACS has an initial sample size (before nonresponse attrition) of about one-fifth that of the decennial long form, which surveyed approximately one out of every six households. This means that an adequate sample size for one-year ACS data will be available only for very large population geographic areas, and that data for smaller areas will be accumulated over 3 or 5 years to form the basis of decennial long-form-equivalent estimates.

As detailed in the notices announcing the proposed and final FY 2008 FMRS,

HUD replaced the accumulated 2001 through 2005 FMR update factors from various sources with 2005 ACS data. The preamble for the final FY 2008 FMR Notice (72 FR 55940) provides a description of how the 2005 ACS data, and in some cases RDDs conducted in 2001 through 2005, were used in the FY 2008 FMRS. Further details regarding the calculation of FY 2008 FMRS are available using HUD's online Final FY 2008 Documentation System, available at <http://www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr08>.

B. Updates From 2005 to 2006

State or local 2006 ACS data are used to update a June-2005-calculated gross rent from the FY 2008 FMRS to June 2006. The same categories of use, depending upon the sizes of the available rental unit samples in the FMR areas, were applied to the 2006 ACS data as had been applied to the 2005 data. There are two exceptions to the similarity of processing 2005 ACS data and 2006 ACS data. First, the update factor reflecting changes in rents for the parts of the state not included in FMR areas covered by local ACS data was discontinued for two reasons: (1) The variance in rent change between 2005 and 2006 for these areas was much larger than that for full states and it was not clear whether these changes reflected differences in markets or area

composition, or if they reflected survey anomalies; and (2) basing an underlying geography on factors that change annually (such as the identity of FMR areas covered by local ACS data) and which cannot be determined until the survey data have been processed presents a complexity that could not be resolved in a manner that allowed for timely delivery of data. Consequently, for FY 2009, all state-based update factors are calculated for the entire state.

Second, HUD-defined "HMFAs" in metropolitan areas (CBSAs) where no subarea uses the CBSA gross rent as the basis of its FMR, are no longer tested to determine which update factor, the state or the CBSA, brings the subarea closer to the CBSA. The state update factor is now used for these cases. This change was made because review of the data and discussions with field economists indicated that forcing these subareas

toward CBSA-area values was the opposite of market trends for some subareas.

C. Updates From 2006 to 2007

The 2006 ACS data brought the 2005 data used in the FY 2008 FMRs forward by 12 months to June 2006. The CPI is used to update the June 2006 FMRs to the end of 2007. Local CPI data are used for FMR areas with at least 75 percent of their population within Class A metropolitan areas covered by local CPI data. Census region CPI data are used for FMR areas in Class B and C size metropolitan areas and nonmetropolitan areas without local CPI update factors.

D. Updates From 2007 to 2009

The national 1990 to 2000 average annual rent increase trend of 1.03 is applied to end-of-2007 rents for 1.25 years, to derive the proposed FY 2009 FMRs.

E. Additional Rent Surveys and Other Data

In early 2008, surveys were conducted in several areas of Wyoming, Colorado, Utah, and Texas where, as a result of increased oil and gas drilling activity, housing agencies have experienced significant rental housing market pressure. Most of these areas have experienced problems managing the voucher program over the past couple of years. These surveys show that rents in these areas are higher than previously estimated. All of these surveys met HUD standards for statistical significance (i.e., the survey result trended to April 2008 was statistically different from the April 2008 FY 2008 FMRs at a 95 percent level of confidence). Effective upon publication of this notice, and through September 30, 2008, FMRs for these areas are listed below.

REVISED FY 2008 FMRs BASED ON RDD RESULTS

	0 BR	1 BR	2 BR	3 BR	4 BR
Casper, WY	\$448	\$490	\$619	\$901	\$1,085
Duchesne County, UT	620	673	747	964	1,312
Garfield County, CO	832	947	1,050	1,296	1,335
Grand Junction, CO	544	546	655	954	1,153
Midland, TX MSA	541	585	770	1,122	1,329
Moffat County, CO	499	545	684	897	1,201
Odessa, TX MSA	492	521	683	984	1,143
Sweetwater County, WY	446	542	680	951	987
Uinta County, WY	463	585	666	909	1079
Uintah County, UT	534	580	643	845	950

The FMR bonuses related to the impact of Hurricane Katrina for Baton Rouge, LA, and New Orleans, LA, first applied March 6, 2006, continue to be applied in the proposed FY 2009 FMRs, though the bonuses have been reduced as ACS data have started to capture the market rent increases for these areas. Continuing research shows that rental market conditions in both areas remain tight, and that FMRs should not be reduced. Similarly, and in accordance with the revised FY 2008 FMRs for Gulfport-Biloxi, MS MSA and Pascagoula, MS MSA (73 FR 6197), bonuses will continue in these Mississippi areas in the FY 2009 FMRs, although, as in the Louisiana areas, the bonus amounts are reduced.

The area-specific data and computations used to calculate proposed FY 2009 FMRs and FMR area definitions can be found at <http://www.huduser.org/datasets/fmr/fmrs/index.asp?data=fmr09>.

F. Bedroom Rent Adjustments

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 for the derivations of rent ratios is available at <http://www.huduser.org/datasets/fmr/CensusRentData/index.html>.

Adjustments were made using 2000 Census data to establish rent ratios for areas with local bedroom-size intervals above or below what are considered 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 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 (i.e., efficiency rents were not allowed to be higher than one-bedroom rents and four-bedroom rents were not allowed to be lower than three-bedroom rents).

The rents for three-bedroom and larger units are further adjusted to continue to reflect HUD's policy to set

higher rents for these units than would result from using unadjusted 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.

For low-population, nonmetropolitan counties with small 2000 Census samples of recent-mover rents, Census-defined county group data were used to determine 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.

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 FY 2008 were updated to FY 2009 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 re-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 \$35,000. Areas with 2,000 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, non-metropolitan 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 where 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 at 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 may find it appropriate 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: June 3, 2008.

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. HUD is using

the metropolitan CBSAs, which are made up of one or more counties, as defined by the Office of Management and Budget (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 FY 2008 proposed FMRs incorporates the current OMB definitions of metropolitan areas based on the 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 subareas 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 area CBSAs (referred to as MSAs) may be modified to allow for subarea 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 FY 2005 FMRs. Collectively they include 1999-definition MSAs/Primary Metropolitan Statistical Areas (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 nonmetropolitan counties.) Subareas of MSAs are assigned their own FMRs when the subarea 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 subarea differs by at least 5 percent from the MSA 2000 Census Median Family Income. MSA subareas, and the remaining portions of MSAs after subareas have been determined, are referred to as 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 Schedule B.

2. Bedroom Size Adjustments

Schedule B shows the FMRs for zero-bedroom through four-bedroom units. 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 (SRO) units are 0.75 times the zero-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 non-metropolitan county listings.

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

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