Housing Partnership Network

Social Mission. Private Enterprise.

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Regulations Division
Office of General Counsel
Department of Housing and Urban Development
451 7th Street, SW
Room 10276
Washington, DC 20410-0001

To Whom It May Concern:

Housing Partnership Network (HPN) appreciates the opportunity to comment on the Advanced Notice of Proposed Rulemaking (Docket No. FR5855-A-01 RIN 2501-AD74) on establishing a more effective Fair Market Rent system for Housing Choice Vouchers.

HPN is a member-driven organization comprised of nearly 100 entrepreneurial, high capacity nonprofits that operate all across the country. The members are diversified social enterprises combining a mission focus with business acumen. HPN members' businesses include multifamily development, lending, property management, and housing counseling. All of our members work to link their communities to services – education, workforce development, and health care. Collectively, HPN members have developed or rehabilitated 350,000 affordable homes, and assisted 8.9 million people through housing, community facilities, and services.

HPN is best described as a business collaborative. The members' senior leadership comes together with their peers to exchange information, solve problems, and share best practices. Their collaborations have spawned member-owned businesses that improve member operations and advance innovations in the practice of affordable housing and community development. For example, when insurance costs spiked after 9/11, members launched a captive property and casualty insurance company that today insures approximately 60,000 homes with $7.0 billion of insurance-in-force. Other businesses that have emerged from these collaborations include a group buying service, a new web-based approach to homebuyer education, and a multifamily real estate investment trust.

HPN's members develop and manage multifamily housing in revitalizing communities and in high opportunity neighborhoods and they often have residents with Housing Choice Vouchers. HPN's members are generally sympathetic to the idea that Fair Market Rents should better reflect differences in local rental markets and should give residents access to neighborhoods with good schools and access to transportation and jobs. The Housing Choice Voucher program

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should mitigate the intergenerational transmission of poverty by being a means for voucher holders access to opportunity. We applaud HUD for issuing an Advanced Notice of Proposed Rulemaking to soliciting feedback and ideas before proposing a rule. Moving to Small Area Fair Market Rents (SAFMRs) has great potential to allow voucher holders access to more affluent communities, thus helping in the HCV program achieving the promise of choice and opportunity for families that has always been part of its design. It is important, however, to think through the complexities of moving to the new system.

Data and Methodology:
Despite being sympathetic to the reasons to move to SAFMRs, HPN's members see some potential problems with the new policy that HUD should address before promulgating a final rule. The benefits of the new system of SAFMRS are premised on the idea that the rents will more accurately reflect realities in local real estate markets. The SAFMRs will not achieve their promise if HUD continues to use data on rents that is many years out of date. This is a longstanding complaint about FMRs that is not remedied in the proposed new system. The Notice states, "For FY 2015 SAFMRs, HUD continues to use the rent ratios developed in conjunction with the calculation of FY2013 FMRs based on 2006-2010 5 year ZIP Code Tabulation Area (ZCTA) median gross rent data." Especially in real estate markets that are gentrifying and are the places where we want HCV holders to live, this reliance on old data will result in rent levels that are out of date.

There are also questions about the size of the margin of error. The Notice states, "HUD restricts the use of ZIP code level median gross rents to those areas for which the margin of error of the ACS estimate is smaller than the estimate itself." Perhaps HUD should restrict the margin of error to a percentage of the estimate. Again, if the goal of the of the new system is that rent levels be both "fair" and "market" and such a large margin of error belies that potential.

Flexibility in Implementation:
Concerns about the accuracy and timeliness of the data that HUD uses to set the SAFMRs are also reasons to build in a "safety valve" if implementation of the new rent structure causes a drop a voucher absorption in some markets. It may happen in some markets that landlords in neighborhoods where rents are lowered decide to stop participating in the voucher program and landlords in higher rent neighborhoods continue to refuse to rent to voucher holders. If the SAFMRs end up resulting in less choice for voucher holders, which can be objectively measured by voucher utilization rates, PHAs should have the authority to raise the payment standard to help voucher holders find housing.

Concerns about limiting resident choice also suggest that it also makes sense to "hold harmless" existing residents and phase in rent decreases when units turn over in areas affected by the move to SAFMRs. There are many unknowns with a change of this sort, and it makes sense to build some flexibility into the system to make sure that the policy is having the intended effect of increasing choice for residents.

Applicability to PBVs:
The Notice asks "Should SAFMRs be applied to PBV at least for future PBV projects?" HUD should study the impacts that SAFMRs have on the availability of housing choices for voucher holders in the HCV program before applying the policy, even prospectively, to PBVs. There are some very significant differences between HCVs and PBVs. With HCVs, the tenant finds a unit and thus HCV administrators have more limited authority to select the landlords they work with. PBVs are allocated to landlords and voucher administrators can choose mission-driven nonprofits as a preferred delivery system.

With capable nonprofit developers, the rent on a PBV unit reflects the cost of development, which includes high quality construction that revitalizes the neighborhood and services that benefit the residents. PBVs have a community development purpose that is broader than just helping the residents find affordable units. Several of HPN's high performing nonprofit developers have looked at what a move the SAFMRs would do to existing developments with PBV that serve high need populations. In some cases, the rents would be below the level needed to maintain the long term viability of the developments. These are important community development considerations that suggest that HUD should be cautious of a blanket application of SAFMRs to PBVs, even prospectively. We understand that it is more complex to manage a system with different rent regimes, but there are real differences between HCVs and PBVs.

Budget Constraints:
Finally, the constraints on the HUD budget raise troubling questions about how the implementation of SAFMRs will impact resources overall. If resources are fixed, and more voucher holders take advantage of the opportunity to move to areas with higher rents, then HUD will pay more for those voucher holders. Theoretically, if rents are lowered in other areas, there may be savings to balance out the additional costs. But if HUD's reasoning is correct and voucher holders would like to move to more affluent communities, it is likely that moving to SAFMRs will increase HUD's costs. Without additional resources for the HUD budget, this means that fewer residents will be served with HCVs. Currently, three quarters of those income eligible for assisted housing do not receive it. If HCV costs spike because of this new policy, it will become even more urgent to increase the HUD budget to help more families with affordable housing.

Please feel free to contact me at Siglin@housingpartnership.net if you are interested in discussing these comments further. Thank you for your attention to HPN's views.

Sincerely,
Kristin Siglin
Vice President, Policy