

Advocates' guide to successful implementation of the mandatory Small Area FMR rule

What are Small Area Fair Market Rents?

Small Area Fair Market Rents (SAFMRs) are the Department of Housing and Urban Development's (HUD) calculation of fair market rents for zip codes. Normally, HUD sets one fair market rent (FMR) for a large geographic region, resulting in a subsidy level that often does not match local rents. HUD's use of large geographic areas to set FMRs makes it harder for families to rent outside low-rent neighborhoods.

SAFMRs are intended to capture more granular discrepancies in rent across neighborhoods and therefore more accurately reflect market rents. SAFMRs allow voucher families to move to higher rent, lower poverty neighborhoods, giving voucher holders access to communities that are more likely to have quality jobs, lower crime rates, and high performing schools – communities that voucher families would be unable to afford if the PHA applied regular FMRs.

What areas are required to use SAFMRs?

24 regions must implement SAFMRs and all PHAs with jurisdiction in the region must adopt them. HUD's January 17 guidance states that PHAs must begin implementing SAFMRs as soon as possible but no later than April 1, 2018. The regions that must use SAFMRs are below. Contact NHLP or PRRAC for a list of the housing authorities that make up each region.

- Atlanta-Sandy Springs-Marietta, GA HUD Metro FMR Area
- Bergen-Passaic, NJ HUD Metro FMR Area
- Charlotte-Gastonia-Rock Hill, NC-SC HUD Metro FMR Area
- Chicago-Joliet-Naperville, IL HUD Metro FMR Area
- Colorado Springs, CO HUD Metro FMR Area
- Dallas-Plano-Irving, TX Metro Division
- Fort Lauderdale-Pompano Beach-Deerfield Beach, FL Metro Div.
- Fort Worth-Arlington, TX HUD Metro FMR Area
- Gary, IN HUD Metro FMR Area
- Hartford-West Hartford-East Hartford, CT HUD Metro FMR Area
- Jackson, MS HUD Metro FMR Area
- Jacksonville, FL HUD Metro FMR Area
- Monmouth-Ocean, NJ HUD Metro FMR Area
- North Port-Bradenton-Sarasota, FL MSA
- Palm Bay-Melbourne-Titusville, FL MSA
- Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA
- Pittsburgh, PA HUD Metro FMR Area
- Sacramento-Arden-Arcade-Roseville, CA HUD Metro FMR Area
- San Antonio-New Braunfels, TX HUD Metro FMR Area
- San Diego-Carlsbad-San Marcos, CA MSA
- Tampa-St. Petersburg-Clearwater, FL MSA
- Urban Honolulu, HI MSA
- Washington-Arlington-Alexandria, DC-VA-MD HUD Metro FMR
- West Palm Beach-Boca Raton-Delray Beach, FL Metro Division

In addition to the regions designated for mandatory implementation, PHAs in other areas can opt to implement SAFMRs throughout their area of operation. See our "Advocates Guide for voluntary adoption of Small Area FMRs."

How will this impact my clients?

The SAFMR rule could result in a change to your client's rent: Depending on your client's zip code, the payment standard may increase or decrease based on the implementation of SAFMRs. If the payment standard decreases, your client could see an increase in rent at the family's second annual recertification, unless the PHA takes additional protective actions (see below). If the payment standard increases and your client was paying the difference between the payment standard and the rent, your client's rent could decrease at the next annual recertification.

New housing opportunities may arise in areas that were formerly considered unaffordable: Because SAFMRs more accurately reflect market rent there may be neighborhoods throughout your region that were previously difficult or impossible for voucher tenants to access but are now affordable because the SAFMR is higher than the FMR. Advocates should become familiar with those areas, educate voucher families about the opportunity to move into new areas, and urge their PHAs to fully inform their voucher families and assist them to take advantage of their new opportunities.

What can I do?

Advocates should seek to engage PHAs early and throughout the implementation process. The Final Rule provides a large amount of discretion to PHAs in determining how to implement the Rule. Advocates should work with their housing authority to implement the following policies:

- **Safeguards to protect tenants** that experience a reduction in the payment standard. Advocate for the PHA to implement a policy that holds all current tenants who remain in their unit harmless from rent increases with implementation of SAMFRs. The policy must be included in the PHA's Administrative Plan. Sample Admin Plan language:

Where the new SAFMRs are decreasing, the PHA will hold the families harmless who are already living in the unit with a HAP contract and the PHA will apply the current existing payment standard to the family as long as they stay in the same unit.

Where the new FMRs are increasing, the PHA will implement the change at the next annual recertification.

If PHAs are unwilling to consider a 100% hold harmless policy, they also have the option of phasing in the payment standard decreases for families who remain in their current unit (for example, 2% per year after the second annual recertification), or setting a cap on the total decrease (for example, 5%)

- Request that the PHA **provide notice of the new and old payment standards** for all families participating in the voucher program including families whose search term extends beyond the effective date of the new payment standard schedule. Advocates should request to review the notices. Notices should be sent out well in advance of the families' lease renewal date, to give them time to consider their new options.
- **Review the data for your region to ensure that payment standards accurately reflect rents.** Housing authorities have flexibility under the rule to set unique payment standards for individual zip codes between 90-110% of the SAFMR.

For example, if SAFMRs result in rents that are too low for a gentrifying neighborhood where rents are rapidly increasing, encourage the housing authority to set the payment standard at 110% of SAFMR.

- PHAs are allowed to use the 90-110% payment standard flexibility to "group" zip codes into similar payment standard ranges when implementing SAFMRs. **Advocates should carefully scrutinize any rent-setting methods that use groupings because it could minimize the impacts of SAFMRs.**
- MTW agencies are not exempt from using SAFMRs unless HUD approved the use of an alternative payment standard policy. Advocates should work with MTW agencies to make sure their rent-setting policies do not conflict with the regional SAFMR goals and provide families with similar opportunities in higher rent areas.
- **Encourage your PHA to report its payment standards to HUD.** Reporting is not required but would provide valuable data to be used to analyze the impact of SAFMRs.
- **Monitor PHA efforts to evade the new requirement:** HUD has indicated that it will entertain requests by PHAs for exemptions to the SAFMR rule for "adverse market conditions". If a PHA in your mandatory area is seeking an exemption, please let us know as soon as possible, and we can assist in advocacy with HUD.

Where can I find out more information?

- Contact Deborah Thrope at NHLP (dthrope@nhlp.org) or Philip Tegeler at PRRAC, ptegeler@prrac.org for technical assistance
- [NHLP SAFMR Memo To HJN](#)
- Webinar Recording: [Implementing Small Area Fair Market Rents \(SAFMRs\): What Advocates Need to Know](#)
- [HUD Small Area Fair Market Rent page](#)