DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of the Secretary

24 CFR Part 888

[Docket No. N-95-3875; FR-3807-N-01]

Section 8 Housing Assistance Payments Program—Contract Rent Annual Adjustment Factors

AGENCY: Office of the Secretary, HUD. **ACTION:** Notice of revised contract rent annual adjustment factors.

SUMMARY: The United States Housing Act of 1937 requires that the assistance contracts signed by owners participating in the Department's Section 8 Housing Assistance Payments programs provide for annual or more frequent adjustment in the maximum monthly rentals for units covered by the contract to reflect changes based on fair market rents prevailing in a particular market area, or on a reasonable formula. This notice announces revised Annual Adjustment Factors (AAFs), which are based on a formula using data on residential rent and utilities cost changes from the Bureau of Labor Statistics Consumer Price Index (CPI) and the HUD Random Digit Dialing (RDD) rent change surveys. EFFECTIVE DATE: March 7, 1995.

FOR FURTHER INFORMATION CONTACT:

Gerald J. Benoit, Rental Assistance Division, Office of Public and Indian Housing [(202) 708-0477 (TDD) or (202) 708–0850 (voice)], for questions relating to the Section 8 Voucher, Certificate, and Moderate Rehabilitation programs; Barbara Hunter, Program Planning Division, Office of Multifamily Housing Management [(202) 708–3944 (TDD) or (202) 708–4594 (voice)], for questions relating to all other Section 8 programs; for technical information regarding the development of the schedules for specific areas or the method used for calculating the AAFs, Michael R. Allard, Economic and Market Analysis Division, Office of Policy Development and Research [(202) 708-0577 (TDD) or (202) 708-0770 (voice)]. Mailing address for above persons: Department of Housing and Urban Development, 451 Seventh Street SW, Washington, DC 20410. (The above-listed telephone numbers are not toll-free.)

SUPPLEMENTARY INFORMATION: The Department of Housing and Urban Development Appropriations Act, 1995 (Pub. L. 103–327, approved September 28, 1994) provides that, "For any unit occupied by the same family at the time of the last annual rental adjustment, where the assistance contract provides

for the adjustment of the maximum monthly rent by applying an annual adjustment factor and where the rent for a unit is otherwise eligible for an adjustment based on the full amount of the factor, 0.01 shall be subtracted from the amount of the factor, except that the factor shall not be reduced to less than 1.0". Schedule C, tables 1 and 2 contain separate AAFs for a unit occupied by the same family at the last annual adjustment (Table 2), and for a unit occupied by a new family since the last annual adjustment since (Table 1).

The revised AAFs are applicable for adjusting Contract Rents for contract anniversaries falling on or after November 8, 1994, the anniversary date for publication of a new annual adjustment factor.

Applicability of AAFs to Various Section 8 Programs

In general, AAFs established by this Notice are used to adjust Contract Rents for Section 8 Housing Assistance Payments Program units. However, the specific application of the AAFs should be determined by reference to the HAP Contract and to appropriate program regulations or requirements.

AAFs are not used for the Section 8 Voucher program. Contract Rents for many projects receiving Section 8 subsidies under the Loan Management provisions of 24 CFR part 886, subpart A, and for projects receiving Section 8 subsidies under the Property Disposition provisions of 24 CFR part 886, subpart C, are adjusted, at HUD's option, either by applying the AAFs or by adjusting rents in accordance with 24 CFR 207.19(e).

Under the Section 8 Moderate Rehabilitation program, the public housing agency (PHA) applies the AAF to the base rent, not the Contract Rent.

AAF Tables

The AAFs for FY 1995 are contained in Schedule C, tables 1 and 2 of this notice.

AAF Areas

With several exceptions discussed below, the AAFs shown in Schedule C use the Office of Management and Budget's (OMB) most current definitions of metropolitan areas. HUD uses the OMB Metropolitan Statistical Area (MSA) and Primary Metropolitan Statistical Area (PMSA) definitions for AAF areas because they closely correspond to housing market area definitions.

The exceptions are for six large metropolitan areas, where HUD considers the area covered by the OMB definitions to be larger than appropriate for use as a housing market area definition. HUD therefore modified the definitions for these areas by deleting some of the counties that OMB had added to its revised definitions. The following counties are deleted from the HUD definitions of AAF areas:

Metropolitan Area Deleted Counties Atlanta, GA—Carroll, Pickens, and Walton Counties.

Chicago, IL—DeKalb, Grundy and Kendall Counties.

Cincinnati-Hamilton, OH-KY-IN— Brown County, Ohio; Gallatin, Grant and Pendleton Counties in Kentucky; and Ohio County, Indiana.

Dallas, TX—Henderson County.
New Orleans, LA—St. James Parish.
Washington, DC—Berkeley and
Jefferson Counties in West Virginia;
and Clarke, Culpeper, King George
and Warren counties in Virginia.

Separate AAFs are listed in this publication for the above counties. They and the metropolitan area of which they are a part are identified with an asterisk (*) next to the area name. The asterisk denotes that there is a difference between the OMB metropolitan area and the HUD AAF area definitions for these areas.

Based on an evaluation of information submitted by local officials, HUD has determined that Spalding County is part of the Atlanta housing market area. Program units in Spalding County, therefore, will use the Atlanta, GA AAFs.

Each AAF applies to a specified geographical area and to units of all bedroom sizes. AAFs are provided for the metropolitan parts (exclusive of CPI areas) and the nonmetropolitan parts of the ten HUD regions, which, under HUD's reorganization plan have been renamed and are referred to as follows: Region I (Boston) is now New England Region II (New York) is now New York/ New Jersey

Region III (Philadelphia) is now the Mid-Atlantic

Region IV (Atlanta) is now the Southeast Region V (Chicago) is now the Midwest Region VI (Fort Worth) is now the Southwest

Region VII (Kansas City) is now the Great Plains

Region VIII (Denver) is now Rocky Mountain

Region IX (San Francisco) is now Pacific/Hawaii

Region X (Seattle) is now Northwest/ Alaska

AAFs, developed from local CPI surveys, also are provided for 103 separate metropolitan AAF areas.

Program participants should refer to the area definitions section at the end of