# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of the Secretary

24 CFR Part 888

[Docket No. FR-3933-N-01]

Fair Market Rents for the Section 8 Housing Assistance Payments Program—Fiscal Year 1996

**AGENCY:** Office of the Secretary, HUD. **ACTION:** Proposed Fiscal Year (FY) 1996 Fair Market Rents (FMRs).

SUMMARY: Section 8(c)(1) of the United States Housing Act of 1937 requires the Secretary to publish FMRs annually to be effective on October 1 of each year. FMRs are used for the Section 8 Rental Certificate program (including space rentals by owners of manufactured homes under that program); the Moderate Rehabilitation Single Room Occupancy program; housing assisted under the Loan Management and Property Disposition programs; payment standards for the Rental Voucher program; and any other programs whose regulations specify their use.

This document provides the proposed FY 1996 FMRs at the 40th percentile level. On March 2, 1995, HUD published the proposed rule to revise 24 CFR part 888 to change the FMR rent standard from the 45th to 40th percentile rent level. That change was published in final on August 15, 1995 and made effective on September 14, 1995. The final FY 1995 FMRs at the 40th percentile level also were made effective on the same date in a separate document. That document included revised FMRs for 131 areas that had submitted public comments HUD determined provided a sufficient basis for such revision. In addition five areas were added to Schedule D on the basis of surveys submitted on manufactured home space rentals.

Because of the delay in publishing the proposed FY 1996 FMRs, the comment period will extend beyond the October 1 statutory date for publishing final FMRs. Therefore, there will be two final FY 1996 FMR publications. The first publication will make the FMRs contained in this document effective, except for the small number of areas with proposed FMR decreases, which will continue to use the FY 1995 FMRs until the Department has had the opportunity to assess any comments on these reductions. The second publication, to be issued early next year, will announce revised final FMRs for the areas for which HUD has made a determination that the rental housing

surveys submitted provided a sufficient basis for such revision.

**DATES:** Comments due date: October 16, 1995.

**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, Room 10276, Department of Housing and Urban Development, 451 Seventh Street SW, Washington, DC 20410. Communications should refer to the above docket number and title and should contain the information specified in Section VI. To ensure that the information is fully considered by all of the reviewers, each commenter is requested to submit two copies of its comments, one to the Rules Docket Clerk and the other to the Economic and Market Analysis Staff in the appropriate HUD Field Office. A copy of each communication submitted will be available for public inspection and copying during regular business hours (7:30 a.m.-5:30 p.m. Eastern Time) at the above address.

FOR FURTHER INFORMATION CONTACT: Gerald J. Benoit, Rental Assistance Division, Office of Public and Indian Housing, telephone (202) 708–0477. (TDD: (202) 708–0850). For technical information on the development of schedules for specific areas or the method used for the rent calculations, contact Michael R. Allard, Economic and Market Analysis Division, Office of Economic Affairs, telephone (202) 708–0577 (TDD: (202) 708–0770). (These are not toll-free numbers.)

## SUPPLEMENTARY INFORMATION:

## I. Background

Section 8 of the United States
Housing Act of 1937 (the Act) (42 U.S.C.
1437f) authorizes housing assistance to
aid lower income families in renting
decent, safe, and sanitary housing.
Assistance payments are limited by
FMRs established by HUD for different
areas. 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, safe, and
sanitary rental housing of a modest
(non-luxury) nature with suitable
amenities.

### II. Publication of FMRs

Section 8(c) of the Act requires the Secretary of HUD to publish FMRs periodically, but not less frequently than annually. The Department's regulations provide that HUD will develop FMRs by publishing proposed FMRs for public comment and after evaluating the public comments,

publish the final FMRs (see 24 CFR 888.115). The proposed FY 1996 FMR schedules at the end of this document list the FMR levels for the Rental Certificate program (Schedule B), and for the areas where the manufactured home space FMRs have had modifications approved (Schedule D).

## III. Method used to Develop FMRs

FMR Standard

The FMRs are gross rent estimates; they include shelter rent and the cost of utilities, except telephone. HUD sets FMRs to assure that a sufficient supply of rental housing is available to program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard quality rental housing units rent. The 40th percentile rent is drawn from the distribution of rents of units which are occupied by recent movers (renter households who moved into their unit within the past 15 months). Newly built units less than two years old are excluded, and adjustments have been made to correct for the below market rents of public housing units included in the data base.

#### Data Sources

HUD uses the most accurate and current data available to develop the FMR estimates. The sources of survey data used for the base-year estimates are:

- (1) the 1990 Census, which provides statistically reliable rent data for all FMR areas:
- (2) the Bureau of the Census' American Housing Surveys (AHSs), which are used to develop between-Census revisions for the largest metropolitan areas and which have accuracy comparable to the decennial Census; and
- (3) the Random Digit Dialing (RDD) telephone surveys of individual FMR areas, which are based on a sampling procedure that uses computers to select statistically random samples of rental housing.

The base-year FMRs are updated using trending factors based on Consumer Price Index (CPI) data for rents and utilities or HUD regional rent change factors developed from RDD surveys. Annual average CPI data are available individually for 102