metropolitan FMR areas. RDD Regional rent change factors are developed annually for the metropolitan and nonmetropolitan parts of each of the 10 HUD geographical regions. The RDD factors are used to update the base year estimates for all FMR areas that do not have their own local CPI survey.

FY 1996 FMRs

This document proposes revised FMRs that reflect estimated 40th percentile rent levels trended to April 1, 1996. The FMRs have been calculated separately for each bedroom size category based on 1990 Census data. For most FMR areas, the ratios developed from the Census for that area were applied to the two-bedroom FMR estimate to derive the FMRs for the other bedroom size categories. Exceptions have been made for areas with local bedroom size rent intervals below an acceptable range. For those areas the bedroom size intervals selected were the minimums determined after outliers had been excluded from the distribution of bedroom ratios for all metropolitan areas. Higher ratios continue to be used for three-bedroom and larger size units than would result from using the actual market relationships. This is done to assist the largest, most difficult to house families in finding program-eligible units.

RDD Surveys

RDD surveys are used to obtain statistically-reliable FMR estimates for selected FMR areas. This survey technique involves drawing random samples of renter units occupied by recent movers. RDD surveys exclude public housing units, units built in the past two years, seasonal units, non-cash rental units, and those owned by relatives. A HUD analysis has shown that the slight downward RDD survey bias caused by including some rental units that are in substandard condition is almost exactly offset by the slight upward bias that results from surveying only units with telephones.

On average, about 8,000 telephone numbers need to be contacted to achieve the target survey sample level of at least 400 eligible responses. RDD surveys have a high degree of statistical accuracy; there is a 95 percent likelihood that the recent mover rent estimates developed using this approach are within 3 to 4 percent of the actual rent value. Virtually all of the estimates will be within 5 percent of the actual value.

Since last year's proposed FMRs were published (the FY 1995 proposed FMRs were published on June 23, 1994), HUD has conducted 39 additional RDD surveys. Based on the results of these surveys, increased FMRs were made effective for 14 FMR areas in the separate Notice announcing the final FY 1995 FMRs. Today's Notice proposes reduced FMRs for the other 25 areas listed as follows:

Atlantic-Cape May, NJ Bergen-Passaic, NJ Bridgeport, CT Dayton-Springfield, OH Evansville-Henderson, IN-KY Fitchburg-Leominster, MA Fort Lauderdale, FL Hartford, CT Honolulu, HI Jackson, MS Jersey City, NJ Las Vegas, NV Miami, FL Middlesex-Somerset-Hunterdon, NJ Modesto, CA Monmouth-Ocean, NJ Newark, NJ Omaha, NE-IA Salinas, CA Santa Rosa, CA Stamford, CT Trenton, NJ Vallejo-Fairfield-Napa, CA Ventura, CA West Palm Beach-Boca Raton, FL

AHS Areas

AHSs cover the largest metropolitan areas on a four-year cycle, encompassing nearly half of the nation's rental housing stock. The 40th percentile rents for these areas are calculated from the distributions of twobedroom units occupied by recent movers. Public housing units, newly constructed units and units that fail a housing quality test are excluded from the rental housing distributions before the FMRs are calculated. The proposed FY 1996 FMRs incorporate the results of the 1993 AHSs. Based on the survey results, the FMRs for 6 of these areas are being proposed with decreases in today's Notice:

Boston, MA-NH Oakland, CA San Jose, CA San Francisco, CA Tampa-St. Petersburg-Clearwater, FL Washington, DC-MD-VA-WV

The AHS results for Detroit, MI and Minneapolis-St. Paul, MN-WI, indicated that no change was warranted in the baseline FMRs. These two areas, therefore, had their FMRs updated in the normal manner.

New MSAs

This notice includes proposed FMRs for two new metropolitan FMR areas

based on new metropolitan area definitions made effective by OMB on June 30, 1995:

Grand Junction, CO MSA, which consists of Mesa County; and
Flagstaff, AZ which consists of Coconino County AZ. The MSA consists of Coconino and Kane County, Utah. HUD has determined, however, that the Flagstaff FMR area shall consist only of Coconino County AZ. The Utah County of Kane is so far removed from the Flagstaff area that it is not considered to be part of the housing market area. Kane County therefore is identified as a separate metropolitan FMR area under the State of Utah listing.

IV. State Minimum FMRs

In response to numerous public inquiries expressing concern that the FMRs in rural areas are too low to operate the program successfully, HUD is proposing to implement a new minimum FMR policy. The new policy would establish the FMRs at the higher of the local FMR or the State-wide average FMR of nonmetropolitan counties, subject to a ceiling rent cap of \$450 on the nonmetropolitan State averages. In proposing this change, HUD is recognizing the difficulty that small PHAs in lightly populated rural areas have in developing valid FMR appeals and the concern that their FMRs may be affected by small sample sizes and a higher incidence of substandard housing and assisted housing with below market rents.

The procedure for setting minimum FMRs now in effect has increased the FMRs for areas with fewer than 100 Census interview cases to the level of the county in the State with the lowest rent of all counties with 100 or more cases. The proposed new procedure to establish FMR minimums using the State nonmetropolitan averages would raise the minimums considerably above those currently in effect for many nonmetropolitan counties. A small number of metropolitan FMR areas also would have their FMRs increased. There is precedent for this procedure in that HUD already is required by law to use nonmetropolitan State median family income averages to set the income limits for the Department's assisted housing programs, including the Section 8 Existing program.

V. FMRs for Puerto Rico

HUD is in the process of rebenchmarking the FMRs for Puerto Rico. While the current FMRs are higher than indicated by the 1990 Census, there is concern that strict reliance on the Census data to establish the FMRs may