APPENDIX A: DATA NOTES, METHODOLOGIES, AND SOURCES

Appendix A describes the data and methodological underpinnings of *Out of Reach*. Following a description of each subject, a link to the primary data source is provided. In some instances, supplementary material is also cited. Information on how to calculate and interpret the data can be found in the sections "How to Use the Numbers," and "Where the Numbers Come From," which immediately follow the reports' introduction.

FAIR MARKET RENT AREA DEFINITIONS

Each year, HUD determines Fair Market Rents (FMRs) for metropolitan and rural housing markets across the country. In metropolitan areas, HUD tries to use the most current Office of Management and Budget (OMB) metropolitan area definitions to define housing market boundaries for its FMR areas. Since FMR areas are meant to reflect cohesive housing markets, simply adopting the OMB definitions for administrative purposes is not always preferable. Also, significant changes to area definitions can affect current recipients. Thus, in keeping with guidance to all federal agencies from OMB, HUD modifies the boundaries in some instances for purposes of program administration.

Reacting to OMB's sweeping post-census overhaul of metropolitan area definitions in 2003, HUD developed FMR areas in 2005 that incorporated these new definitions, but modified them if a county (or town) to be added to an FMR area under those definitions had rents or incomes in 2000 that deviated more than 5% from the newly defined metropolitan area.1 HUD (and *Out of Reach*) refers to unmodified OMB-defined areas as Metropolitan Statistical Areas (MSAs) and modified areas as HUD Metro FMR Areas (HMFAs).

FY15 FMR areas incorporate the most recent (December 2009) OMB update of metropolitan area definitions. There have been no definition changes published by OMB since FY11, so the FY15 area definitions remain the same as the prior year. OMB announced that new metropolitan area definitions will be released in 2013, and the updated area definitions will likely be incorporated into FY16 FMRs.

In cases in which an FMR area crosses state lines, this report provides an entry for the area under both states. While the Housing Wage, FMR, and Area Median Income (AMI) values apply to the entire FMR area and will be the same in both states, other data such as the number of renter households and the minimum and renter wages apply only to the portion of the FMR area within that state's borders.

1 See Appendices A and B in *Out of Reach 2006* for additional information on HUD's methodologies and their effects on FMR area definitions.

FAIR MARKET RENTS

Prior to FY12, data from Census 2000 provided the foundation for HUD's calculation of FMRs. For most areas, data on rent levels from the ACS were compared to Census 2000 data, and an update factor was calculated to project Census 2000 base rents to an intermediate rent estimate.

From FY05 until FY07, FMRs were updated from year to year based on either the Consumer Price Index (CPI) or periodic Random Digit Dialing (RDD) surveys. Since FY08, however, information from the American Community Survey (ACS), an annual survey conducted by the U.S. Census Bureau that replaced the "long form" of the decennial census in 2010, has provided more recent and more localized data on rental cost trends.

In FY12, HUD fully completed a transition to using the ACS as the baseline for calculating FMRs, instead of relying on the decennial census. With the release of the 2005-2009 five-year ACS data, updated data are available for all FMR areas, including areas with populations of less than 20,000, for the first time since the 2000 Decennial Census. The FY15 FMRs are based on the 2008-2012 ACS data.

As it is not possible to easily identify recent movers in the five-year ACS data, base rents are determined using the standard quality two-bedroom gross rent estimates from the five-year ACS data, expressed as a 2012 figure. Then, a recent mover adjustment factor is applied to the base rents. This factor is calculated as the percentage change between the five-year 2008-2012 two-bedroom gross rent, and the one-year 2012 recent mover two-bedroom gross rent. The data represent the smallest geographic area containing the FMR area where the gross rent is statistically reliable.

Local area rent survey results are used as base rents when the survey results indicate rents that are statistically different from the ACS-based rents. HUD's budget did not permit local surveys to be conducted for FY15. However, in 17 areas where the FY15 FMR was adjusted based on survey data collected in 2012, 2013, or 2014, the ACS is not used as the base rent.

The rent estimates determined using ACS data are trended through 2013 using local or regional CPI data.[2] In past years, the FMR estimates were then increased at an annual rate of 3% for 15 months. In FY13, HUD revised its approach. A trend factor is now developed that reflects the annualized change in median gross rents between the one-year 2007 ACS and the one-year 2012 ACS. The result is an effective trend factor of 2.883% that is applied to the FMR estimates to project them forward to April 2015.

2 Documentation on the development of the FMR for each county and metropolitan area can be accessed at http://www.huduser.org/portal/datasets/fmr.html.

While the *Out of Reach* printed book highlights the two-bedroom FMR, the online version of the report includes a broader data set covering the zero- to four-bedroom FMRs. The focus on the two-bedroom FMRs reflects HUD methodology. HUD finds that the two-bedroom rental units are most common and the most reliable to survey, so the two-bedroom units are utilized as the primary FMR estimate. The two-bedroom FMR estimates are then used to calculate and set FMRs for units of other sizes. For FY15, HUD updated bedroom ratio adjustment factors using the 2006-2010 five-year ACS data. In past years, the rent adjustment factors were based upon 2000 Decennial Census data.

Prior editions of *Out of Reach* compared an area's FMR with its Census 2000 base rent. Due to the shift in the methodology, FMRs are no longer comparable between current and prior years.

HUD provides an online tool that illustrates the rationale behind each FMR area definition and the calculation of each FMR. HUD also publishes PDF and Excel files that list the counties and towns included in each area and theirFY15 FMRs. These resources are available at www.huduser.org/datasets/fmr.html.

Appendix B contains excerpts from HUD's Notice of Final Fair Market Rents and includes a link to the full document.

40TH AND 50TH PERCENTILE FMR DESIGNATION

According to an interim rule (65 FR 58870) published in 2000, HUD is required to set FMRs at the 50th percentile rent, rather than the 40th, in large metropolitan areas with concentrated poverty. This rule was established to expand rental opportunities by making units in less-impoverished areas affordable to Housing Choice Voucher holders. Once designated, the FMR area retains its 50th percentile rent for three years, at which time HUD reviews it for continuing eligibility.

In FY14, 19 areas were designated as 50th percentile FMR areas. Of these 19 areas, 13 completed three years of program participation and were eligible for review. Nine of these 13 areas did not show deconcentration over the three-year period and are not eligible for 50th percentile status again until 2018. In addition, six areas that failed to deconcentrate as of FY12 were re-designated as 50th percentile FMR areas.

As a result of these changes, there will be 16 FMR areas with 50th percentile designation for FY15. An asterisk (*) is used to denote the 16 50th percentile areas in *Out of Reach*.

The last page in this appendix lists which FMR areas are currently eligible for the 50th percentile rent.

NATIONAL, STATE, AND NONMETRO FAIR MARKET RENTS

HUD calculates FMRs for metropolitan areas and nonmetro counties, but not for states, combined nonmetro areas, or the nation. The FMRs for these larger geographies provided in *Out of Reach* are calculated by NLIHC and reflect the weighted average FMR for the counties included in the larger geography. The weight used for FMRs is the number of renter households within each county from the American Community Survey (2009-2013), released in December 2014.

AREA MEDIAN INCOME (AMI)

On March 6, 2015, HUD published its FY15 AMIs used in this edition of *Out of Reach*. HUD calculates the AMI for families at the metropolitan level for more urbanized areas and at the county level for nonmetropolitan areas. The Census definition of "family" is two or more persons related by blood, marriage or adoption residing together. This family AMI value relates to the universe of all families and is not intended to apply to a specific family size.

In 2011, HUD updated the methodology used to calculate family AMIs due to the availability of new five-year ACS data. That year, HUD discontinued use of Census 2000 data in the production of FY11 AMIs.

The five-year (2008-2012) ACS data are used to calculate the FY15 AMIs, but in areas with valid one-year ACS data, HUD incorporated the more recent data.

HUD changed the methodology for bringing MFI estimates forward from the final year of the ACS data to the midpoint of the current fiscal year. In FY13 and FY14, HUD used a trend factor that reflected the annualized change in national median family income over the previous five years. HUD decided this was no longer a reasonable means of anticipating upcoming income growth. Consequently, FY15 MFI estimates incorporate a consumer price index forecast from the Congressional Budget Office to adjust for income growth over the next year.

Based on the incomes provided by HUD and applying the assumption that no more than 30% of income should be spent on housing costs (see below), *Out of Reach* calculates the maximum affordable rent for households earning the median income and 30% of the median (extremely low income). These calculations are presented in this book, and calculations corresponding to 50% and 80% of AMI are included in the online publication. It is important to note that these are straight percentages and do not include adjustments HUD uses in calculating its "income limits" for federal housing programs.

The median incomes for states and combined nonmetropolitan areas reported in *Out of Reach* reflect the average of local AMI data weighted by the total number of households provided by the five-year ACS (2009-2013).

A comprehensive list of the counties and towns included in FY15 income limit calculations, the methodology for calculating median family income estimates and a discussion of HUD's adjustments to subsequent income limits are provided in *FY2015 HUD Income Limits Briefing Material*, available at http://www.huduser.org/portal/datasets/il/il15/IncomeLimitsBriefingMaterial_FY15_Rev_2.pdf.

AFFORDABILITY

Out of Reach is consistent with federal housing policy in the assumption that no more than 30% of a household's gross income should be consumed by gross housing costs. Spending more than 30% of income on housing is considered "unaffordable."[3]

Although *Out of Reach* explicitly addresses affordability in the rental housing market, housing affordability problems are not unique to renters. *The State of the Nation's Housing: 2014,* published by Harvard University's Joint Center for Housing Studies (http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/sonhr14-color-full.pdf) includes an analysis of the affordability problems faced by homeowners.

PREVAILING MINIMUM WAGE

The federal minimum wage on January 1, 2015, was $7.25 per hour; this wage was effective as of July 2009. *Out of Reach* incorporates the federal minimum wage in effect *at the time of publication*.

According to data from the U.S. Department of Labor, the District of Columbia and 29 states implemented a state minimum wage higher than $7.25 by May 1, 2015. In place of the lower federal rate, *Out of Reach* incorporates the prevailing minimum wage in these states. Some local municipalities have a minimum wage that is higher than the federal rate, but this local rate is not incorporated into *Out of Reach* data.

Among the statistics included in *Out of Reach* are the number of hours and subsequent full-time jobs a minimum wage earner must work to afford the FMR. If the reader would like to calculate the same statistics using a different wage such as a higher local minimum wage, a simple formula can be used for the conversion:

[hours or jobs at the published wage] * [published wage] / [alternative wage]

For example, one would have to work 78 hours per week to afford the zero bedroom FMR in San Francisco if the minimum wage in that location was equivalent to California's rate of $9.00. However, the same FMR would be affordable in 57 hours under the higher local minimum wage of $12.25[4] (78 * $9.00 / $12.25). For further guidance, see "Where the Numbers Come From" or contact NLIHC research staff.

The Department of Labor (www.dol.gov/whd/minwage/america.htm) provides further information on state minimum wage laws.

AVERAGE RENTER WAGE

Recognizing that the minimum wage reflects the earnings of only the lowest income workers, *Out of Reach* also calculates an estimated mean renter hourly wage. This measure reflects the compensation that a typical renter is likely to receive for an hour of work by dividing average weekly earnings by 40 hours, thus assuming a full-time workweek. Earnings include several non-wage forms of compensation like paid leave, bonuses, tips, and stock options.[5]

The estimated mean renter hourly wage is based on the average weekly earnings of private (non-governmental) employees working in each county.[6] Renter wage information is based on 2013 data reported by the BLS in the Quarterly Census of Employment and Wages. For each county, mean hourly earnings are multiplied by the ratio of median renter income to median total household income in the American Community Survey (2009-2013) to arrive at an estimated average renter wage. In only five counties nationwide, the median renter income exceeds median household income. Nationally, however, the median renter household earned only an average of 52% of the overall median household income in 2013.[7]

In roughly 9% of counties, the renter wage is below the federal minimum wage. One likely explanation is that workers in these counties average fewer than 40 hours per week, but the mean renter wage calculation assumes weekly compensation is the product of a full-time work week. For example, mistakenly assuming earnings from 20 hours of work were the product of a full-time workweek would underestimate the actual hourly wage by half, but it would also accurately reflect the true earnings of renters under the assumption of a full-time schedule (see next section). As it was last year, the estimated mean renter hourly wage reported in *Out of Reach* has been adjusted to the same "as of" date assigned to FMRs and AMIs by HUD (April 1, 2015, for this fiscal year) and uses the same methodology that HUD uses to project its income estimates. Because annual average values calculated from BLS data might be considered "as of" July 1 for the calendar year for which they are reported, the data are projected to year-end 2013 using a national inflation factor. An annual rate of 1.04% is then used to grow renter wages for five quarters to April 1, 2015.[8]

Wage data from the Quarterly Census of Employment and Wages are available through the Bureau of Labor Statistics at www.bls.gov/cew/home.htm.

WORKING HOURS

Calculations of the Housing Wage and of the number of jobs required at the minimum wage or mean renter wage to afford the FMR assume that an individual works 40

3 The Housing and Urban-Rural Recovery Act of 1983 made the 30% "rule of thumb" applicable to all current rental housing assistance programs. See Pelletiere, D. (2008). *Getting to the heart of housing's fundamental question: How much can a family afford?* Washington, D.C.: National Low Income Housing Coalition.

4 City & County of San Francisco Labor Standards Enforcement (2013). www.sfgsa.org/index.aspx

5 Please note this measure is different from the Estimated Renter Median Household Income (provided online), which reflects an estimate of what renter *households* are earning today and includes income not earned in relation to employment.

6 Renter wage data for 30 counties are not provided in *Out of Reach* either because the BLS could not disclose the data for confidentiality reasons or because the number of employees working in the county was insufficient to estimate a reliable wage.

7 NLIHC analysis of 2013 American Community Survey data.

8 Following HUD's methodology for developing FY15 AMIs, a 1.04% growth rate was used to trend average renter wages from year-end 2012 to April 1, 2015.

hours per week, 52 weeks each year, for a total of 2,080 hours per year. Seasonal employment, unpaid sick leave, temporary lay-offs, and job changes as well as vacations prevent many individuals from maximizing their earnings throughout the year. According to Current Employment Statistics data from March 2015, the average wage earner in the U.S. worked 34.5 hours per week.[9]

These statistics should remind the reader that not all employees have the opportunity to translate an hourly wage into full-time, year-round employment. For these households, the Housing Wage underestimates the actual hourly compensation that a worker must earn to afford the FMR. Conversely, some households include multiple wage earners or single individuals that average more than 40 hours per week at work. For these, a home renting at the FMR would be affordable even if each worker earned less than the area's stated Housing Wage, as long as their combined wages exceed the Housing Wage.

For an expanded report on hours and earnings as reported by the Bureau of Labor Statistics, see *The Employment Situation: March 2015* http://www.bls.gov/news.release/empsit.nr0.htm

SUPPLEMENTAL SECURITY INCOME (SSI)

Out of Reach compares rental housing costs with the rents affordable to individuals receiving Supplemental Security Income (SSI) payments. The numbers in *Out of Reach* are based on the maximum federal SSI payment for individuals in 2015, which is $733 per month. *Out of Reach* calculations also include supplemental payments that benefit all individual SSI recipients in 19 states where the Social Security Administration (SSA) reports the supplemental payment amount. These amounts are available at www.secure.ssa.gov/apps10/poms.nsf/lnx/0502302200.

Supplemental payments provided by an additional 27 states and the District of Columbia are excluded from *Out of Reach* calculations. For some, these payments are administered by the SSA but are available only to populations with specific disabilities, in specific facilities, or in specific household settings. For the majority, however, the supplements are administered directly by the states, so the data are not readily available if they haven't been reported to the SSA. The only four states that do not supplement federal SSI payments are Arizona, North Dakota, Mississippi, and West Virginia. Residents of Puerto Rico cannot receive federal SSI payments.

Since SSI payments are set at the state level, the published version of *Out of Reach* calculates the difference between each state's average two-bedroom FMR and the rent that is affordable for SSI recipients. Readers can calculate this gap for any geography by subtracting the rent affordable to an SSI recipient from the area's FMR.

> Information on SSI payments is available through the Social Security Administration at www.ssa.gov/pubs/.

> The Technical Assistance Collaborative, Inc., publishes a biennial report comparing Fair Market Rents with the incomes of SSI recipients. Recent editions of *Priced Out* can be found at http://www.tacinc.org/knowledge-resources/publications/

ADDITIONAL DATA AVAILABLE ONLINE

Data available in the print version of *Out of Reach* are limited in an effort to present the most important information clearly. Additional data can be found online at http://www.nlihc.org.

The *Out of Reach* methodology was developed by Cushing N. Dolbeare, founder of the National Low Income Housing Coalition.

ELIGIBILITY FOR 50TH PERCENTILE FAIR MARKET RENT

In FY15, Fair Market Rents (FMRs) were set at the 50th percentile rent in 16 FMR areas where voucher tenants were concentrated in high-poverty areas. Compared with the typical 40th percentile rent, this higher voucher payment standard would provide tenants with housing options in less-impoverished areas.

AREAS ELIGIBLE FOR FY15 50TH PERCENTILE FMR

Albuquerque, NM MSA

Chicago-Joliet-Naperville, IL HUD Metro FMR Area

Fort Lauderdale, FL HUD Metro FMR Area

Honolulu, HI MSA

Milwaukee-Waukesha-West Allis, WI MSA

Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA

Riverside-San Bernardino-Ontario, CA MSA

Virginia Beach-Norfolk-Newport News, VA-NC MSA

Baltimore Towson, MD HUD Metro FMR Area

Denver-Aurora-Broomfield, CO MSA

Hartford-West Hartford-East Hartford, CT HUD Metro FMR Area

Kansas City, MO-KS HUD Metro FMR Area

New Haven-Meriden, CT HUD Metro FMR Area

Richmond, VA HUD Metro FMR Area

Tacoma, WA HUD Metro FMR Area

West Palm Beach-Boca Raton, FL HUD Metro FMR Area

9 Bureau of Labor Statistics. (2015). *The employment situation: March 2015*. Washington, D.C.: U.S. Department of Labor.

APPENDIX B: EXPLANATION OF FAIR MARKET RENT

Excerpts from Notice of Final Fair Market Rents for Fiscal Year 2015. Full document available at: http://www.huduser.org/portal/datasets/fmr/fmr2015f/FR_Published_Preamble_FY2015F.pdf

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT [Docket No. FR–5807–N–03]

Final Fair Market Rents for the Housing Choice Voucher Program and Moderate Rehabilitation Single Room Occupancy Program Fiscal Year 2015

AGENCY: Office of the Assistant Secretary for Policy Development and Research, HUD.

ACTION: Notice of Final Fiscal Year (FY) 2015 Fair Market Rents (FMRs).

I. BACKGROUND

Section 8 of the USHA (42 U.S.C. 1437f) authorizes housing assistance to aid lower-income families in renting safe and decent housing. Housing assistance payments are limited by FMRs established by HUD for different geographic areas. In the HCV program, the FMR is the basis for determining the "payment standard amount" used to calculate the maximum monthly subsidy for an assisted family (see 24 CFR 982.503). 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, and safe rental housing of a modest (non-luxury) nature with suitable amenities. In addition, all rents subsidized under the HCV program must meet reasonable rent standards. HUD's regulations at 24 CFR 888.113 require it to establish 50th percentile FMRs for certain areas.

II. PROCEDURES FOR THE DEVELOPMENT OF FMRS

Section 8(c)(1) of the USHA requires the Secretary of HUD to publish FMRs periodically, but not less frequently than annually. Section 8(c)(1) states, in part, as follows:

Proposed fair market rentals for an area shall be published in the Federal Register with reasonable time for public comment and shall become effective upon the date of publication in final form in the Federal Register. Each fair market rental in effect under this subsection shall be adjusted to be effective on October 1 of each year to reflect changes, based on the most recent available data trended so the rentals will be current for the year to which they apply, of rents for existing or newly constructed rental dwelling units, as the case may be, of various sizes and types in the market area suitable for occupancy by persons assisted under this section.

HUD's regulations at 24 CFR part 888 provide that HUD will develop proposed FMRs, publish them for public comment, provide a public comment period of at least 30 days, analyze the comments, and publish final FMRs. (See 24 CFR 888.115.) For FY 2015 FMRs, HUD has considered all comments submitted in response to its August 15, 2014 (78 FR 47339) proposed FY 2015 FMRs but its responses are posted on its Web site because of the time required to publish this notice.

In addition, HUD's regulations at 24 CFR 888.113 set out procedures for HUD to assess whether areas are eligible for FMRs at the 50th percentile. Minimally qualified areas[1] are reviewed each year unless not eligible to be reviewed. Areas that currently have 50th percentile FMRs are evaluated for progress in voucher tenant concentration after three years in the program. Continued eligibility is determined using HUD administrative data that show levels of voucher tenant concentration. The levels of voucher tenant concentration must be above 25 percent and show a decrease in concentration since the last evaluation. At least 85 percent of the voucher units in the area must be reported for a determination on the status of a 50th percentile area. Areas are not qualified for review if they are within the three-year period as a 50thpercentile area or have lost 50thpercentile status for failure to deconcentrate within the last three years.

In FY 2014 there were 19 areas using 50th-percentile FMRs. Of these 19 areas, 13 areas were eligible for evaluation. Only four of the 13 areas will continue as 50th percentile FMR areas; those nine areas that do not continue as 50th percentile areas did not show measurable deconcentration and will not be evaluated for an additional three year period, as required by the regulation. An additional six areas that failed to deconcentrate as of FY 2012 will once again become 50th percentile FMR areas. In summary, there will be 16 50thpercentile FMR areas in FY 2015. In Schedule B, where all FMRs are listed by state and area, an asterisk designates the 50th percentile FMR areas. The following table lists the FMR areas along with the year of their next evaluation.

[See the last page of Appendix A for information on 50th percentile areas.]

III. PROPOSED FY2015 FMRS

On August 15, 2014 (79 FR 48178), HUD published proposed FY 2015 FMRs with a comment period that ended September 15, 2014. HUD has considered all public comments received and HUD provides responses to these comments

1 As defined in 24 CFR 888.113(c), a minimally qualified area is an area with at least 100 Census tracts where 70 percent or fewer of the Census tracts with at least 10 two-bedroom rental units are Census tracts in which at least 30 percent of the two bedroom rental units have gross rents at or below the two bedroom FMR set at the 40th percentile rent. This continues to be evaluated with 2000 Decennial Census information. Although the 5-year ACS tract level data is available, HUD plans to implement new 50th percentile areas in conjunction with the implementation of new OMB area definitions.

on the FMR Web site http://www.huduser.org/portal/ datasets/fmr.html. HUD does not specifically identify each commenter, but all comments are available for review on the Federal Government's Web site for capturing comments on proposed regulations and related documents (Regulations.gov—http://www.regulations.gov/ - !docketDetail;D=HUD-2014-0065).

IV. FMR METHODOLOGY

This section provides a brief overview of the calculation steps for the FY 2015 FMRs. For complete information on how FMR areas are determined by each specific FMR area, see the online documentation at http://www.huduser.org/portal/datasets/fmr/fmrs/docsys.html&data=fmr15.

The FY 2015 FMRs use OMB metropolitan area definitions and standards that were first used in the FY 2006 FMRs. OMB changes to the metropolitan area definitions through December 2009 are incorporated. HUD has not incorporated the February 28, 2013 OMB metropolitan area definition changes because the Census Bureau did not incorporate these definitions into the 2012 ACS tabulations; therefore, the FY 2015 area definitions are the same as those used in FY 2014. HUD anticipates that the new OMB area definitions (based on the 2010 decennial Census) will replace those based on the 2000 Census (first incorporated into the FMRs with the FY 2006 publication that replaced those based on the 1990 Census) with the FY 2016 proposed FMRs.

A. BASE YEAR RENTS

HUD used special tabulations of 5- year ACS data collected between 2008 through 2012. For FY 2015 FMRs, HUD updated the base rents set in FY 2014 using the 2007–2011 5-year data with the 2008–2012 5-year ACS data.[2]

HUD historically based FMRs on gross rents for recent movers (those who have moved into their current residence in the last 24 months). However, due to the nature of the 5-year ACS data, HUD developed a new methodology for calculating recent-mover FMRs in FY 2012. As in FY 2012, HUD assigns all areas a base rent which is the estimated two-bedroom standard quality 5-year gross rent from the ACS.[3]

Because HUD's regulations mandate that FMRs represent recent mover gross rents, HUD continues to apply a recent mover factor to the standard quality base rents assigned from the 5-year ACS data. Calculation of the recent mover factor is described below.

2 The only difference in survey data between the 2007–2011 5-year ACS data and the 2008–2012 5- year ACS data is the replacement of 2007 survey responses with survey responses collected in 2012. The 2008, 2009 2010 and 2011 survey responses remain intact; however, the weighting placed on each survey response is updated by the Census Bureau during the process of aggregating the data to be as of the final year of the 5-year period.

3 For areas with a two-bedroom standard quality gross rent from the ACS that have a margin of error greater than the estimate or no estimate due to inadequate sample in the 2012 5-year ACS, HUD uses the two-bedroom state non-metro rent for nonmetro areas.

B. RECENT MOVER FACTOR

Following the assignment of the standard quality two-bedroom rent described above, HUD applies a recent mover factor to these rents. The calculation of the recent mover factor for FY 2015 is similar to the methodology used in FY 2014, with the only difference being the use of updated ACS data. The following describes the process for determining the appropriate recent mover factor. In general, HUD uses the 1 year ACS based two-bedroom recent mover gross rent estimate from the smallest geographic area encompassing the FMR area for which the estimate is statistically reliable to calculate the recent mover factor.[4] HUD calculates some areas' recent mover factors using data collected just for the FMR area.

However, HUD bases other areas' recent mover factor on larger geographic areas if this is necessary to obtain statistically reliable estimates. For metropolitan areas that are sub-areas of larger metropolitan areas, the order is FMR area, metropolitan area, aggregated metropolitan parts of the state, and state.

Metropolitan areas that are not divided into subparts follow a similar path from FMR area, to aggregated metropolitan parts of the state, to state. In nonmetropolitan areas the recent mover factor is based on the FMR area, aggregated nonmetropolitan parts of the state, or if that is not available, on the basis of the whole state. HUD calculates the recent mover factor as the percentage change between the 5-year 2008–2012 standard quality two-bedroom gross rent and the 1-year 2012 recent mover two-bedroom gross rent for the recent mover factor area. HUD does not allow recent mover factors to lower the standard quality base rent; therefore, if the 5-year standard quality rent is larger than the comparable 1-year recent mover rent, the recent mover factor is set to 1. The process for calculating each area's recent mover factor is detailed in the FY 2015 Final FMR documentation system available at: http:// www.huduser.org/portal/datasets/fmr/ fmrs/docsys.html&data=fmr15. Applying the recent mover factor to the standard quality base rent produces an "as of" 2012 recent mover two-bedroom base gross rent for the FMR area.[5]

C. OTHER RENT SURVEY DATA

HUD does not use the ACS as the base rent or recent mover factor for 16 areas where the FY 2015 FMR was adjusted based on survey data collected in late 2012, 2013, or 2014.

PHAs conducted surveys for the following areas: Bennington County, VT, Hood River County, OR, Oakland, CA, Santa Barbara, CA, Stamford, CT, Windham County,

4 For the purpose of the recent mover factor calculation, a statistically reliable estimate occurs where the recent mover gross rent has a margin of error that is less than the estimate itself.

5 The Bureau of the Census does not collect the ACS data in the Pacific Islands (Guam, Northern Marianas and American Samoa) or the US Virgin Islands. As part of the 2010 Decennial Census, the Census Bureau conducted a "long-form" sample surveys for these areas. These data were not released in time to be included in FY 2015 FMRs. Therefore, HUD uses the national change in gross rents, measured between 2011 and 2012 to update last year's FMRs for these areas.

VT, and Windsor County, VT, while HUD conducted surveys for Burlington, VT, Cheyenne, WY, Danbury, CT, Flagstaff, AZ, Mountrail County, ND, Odessa, TX, Rochester, MN, Ward County, ND, and Williams County, ND.

HUD has no funds to conduct surveys of FMR areas, and so all future surveys must be paid for by the PHAs.

D. UPDATES FROM 2012 TO 2013

HUD updates the ACS-based "as of" 2012 rent through the end of 2013 using the annual change in CPI from 2012 to 2013. As in previous years, HUD uses Local CPI data coupled with Consumer Expenditure Survey (CEX) data for FMR areas with at least 75 percent of their population within Class A metropolitan areas covered by local CPI data. HUD uses Census region CPI data for FMR areas in Class B and C size metropolitan areas and nonmetropolitan areas without local CPI update factors. Additionally, HUD is using CPI data collected locally in Puerto Rico as the basis for CPI adjustments from 2012 to 2013 for all Puerto Rico FMR areas. Following the application of the appropriate CPI update factor, HUD converts the "as of" 2013 CPI adjusted rents to "as of" December 2013 rents by multiplying each rent by the national December 2013 CPI divided by the national annual 2013 CPI value.

E. TREND FROM 2013 TO 2015

As in FY 2014, HUD continues to calculate the trend factor as the annualized change in median gross rents as measured across the most recent 5 years of available 1-year ACS data. The national median gross rent in 2007 was $789 and $884 in 2012. The overall change between 2007 and 2012 is 12.04 percent and the annualized change is 2.30 percent. Over a 15-month time period, the effective trend factor is 2.883 percent. HUD applies this trend factor to the "as of" December 2013 rents to produce FMRs that correspond to the middle of the 2015 fiscal year.

F. PUERTO RICO UTILITY ADJUSTMENTS

The gross rent data from the 2008 to 2012 Puerto Rico Community Survey (PRCS) does not include the utility rate increases from Commonwealth-owned utility companies from last year that were submitted as part of the comments from Puerto Rico housing agencies. HUD included additional utility values in the final FY 2014 FMRs to account for these changes in Puerto Rico and these utility adjustments are continued for all areas of Puerto Rico in the FY 2015 FMRs.

G. BEDROOM RENT ADJUSTMENTS

HUD calculates the primary FMR estimates for two-bedroom units. This is generally the most common sized rental unit and, therefore, the most reliable to survey and analyze. Formerly, after each decennial Census, HUD calculated rent relationships between two-bedroom units and other unit sizes and used them to set FMRs for other units. HUD did this because it is much easier to update two-bedroom estimates annually and to use pre-established cost relationships with other unit bedroom counts than it is to develop independent FMR estimates for each unit bedroom count.

When calculating FY 2013 FMRs, HUD updated the bedroom ratio adjustment factors using 2006–2010 5- year ACS data using similar methodology to what was implemented when calculating bedroom ratios using 2000 Census data to establish rent ratios. The bedroom ratios used in the calculation of FY 2015 FMRs remain the 2006–2010 based ratios applied to the two-bedroom FMR computed from the 2012 ACS data.

HUD established bedroom interval ranges based on an analysis of the range of such intervals for all areas with large enough samples to permit accurate bedroom ratio determinations. These ranges are: Efficiency (zero-bedroom) FMRs are constrained to fall between 0.59 and 0.81 of the two-bedroom FMR; one-bedroom FMRs must be between 0.74 and 0.84 of the two-bedroom FMR; three-bedroom FMRs must be between 1.15 and 1.36 of the two-bedroom FMR; and four-bedroom FMRs must be between 1.24 and 1.64 of the two bedroom FMR. (The maximums for the three-bedroom and four-bedroom FMRs are irrespective of the adjustments discussed in the next paragraph.)

HUD adjusts bedroom rents for a given FMR area if the differentials between unit bedroom-count FMRs were inconsistent with normally observed patterns (i.e., efficiency rents are not allowed to be higher than one-bedroom rents and four bedroom rents are not allowed to be lower than three-bedroom rents). The bedroom ratios for Puerto Rico follow these constraints.

HUD further adjusts the rents for three-bedroom and larger units to reflect HUD's policy to set higher rents for these units than would result from using unadjusted market rents. This adjustment is intended to increase the likelihood that the largest families, who have the most difficulty in leasing units, will be successful in finding eligible program units. The adjustment adds 8.7 percent to the unadjusted three bedroom FMR estimates and adds 7.7 percent to the unadjusted four-bedroom FMR estimates. The FMRs for unit sizes larger than four bedrooms are calculated by adding 15 percent to the four bedroom FMR for each extra bedroom. For example, the FMR for a five bedroom unit is 1.15 times the four bedroom FMR, and the FMR for a six bedroom unit is 1.30 times the four bedroom FMR. FMRs for single-room occupancy units are 0.75 times the efficiency FMR.

For low-population, nonmetropolitan counties with small or statistically insignificant 2006–2010 5-year ACS recent-mover rents, HUD uses state nonmetropolitan data to determine bedroom ratios for each unit bedroom count. HUD made this adjustment to protect against unrealistically high or low FMRs due to insufficient sample sizes.

V. MANUFACTURED HOME SPACE SURVEYS

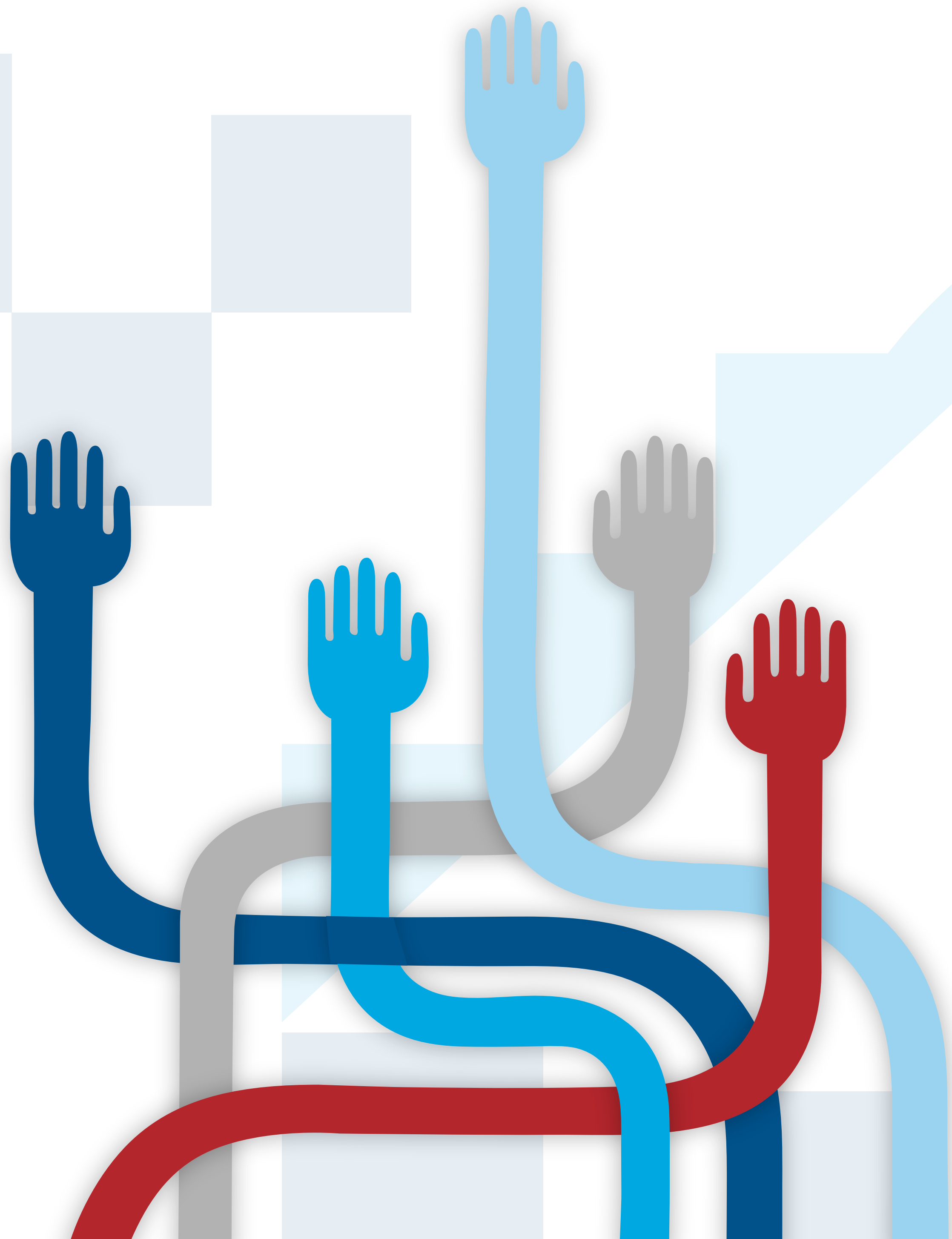
The FMR used to establish payment standard amounts for the rental of manufactured home spaces (pad rentals including utilities) in the HCV program is 40 percent of the FMR for a two-bedroom unit. HUD will consider modification of the manufactured home space FMRs where public comments present statistically valid survey data showing the 40th-percentile manufactured home space rent (including the cost of utilities) for the entire FMR area.

All approved exceptions to these rents based on survey data that were in effect in FY 2014 were updated to FY 2015 using the same data used to estimate the HCV program FMRs. If the result of this computation was higher than 40 percent of the new two-bedroom rent, the exception remains and is listed in Schedule D. The FMR area definitions used for the rental of manufactured home spaces are the same as the area definitions used for the other FMRs. No additional exception requests were received in the comments to the FY 2015 Proposed FMRs.

VI. SMALL AREA FAIR MARKET RENTS

Small Area Fair Market Rents (SAFMRs) are used as part of a court settlement by all public housing authorities (PHAs) in the Dallas, TX HMFA. They are also used as part of HUD's demonstration program for five PHAs the Housing Authority of the County of Cook (IL), the City of Long Beach (CA) Housing Authority, the Chattanooga (TN) Housing Authority, the Town of Mamaroneck (NY) Housing Authority, and the Laredo (TX) Housing Authority. These FMRs are listed in the Schedule B addendum. SAFMRs are calculated using a rent ratio determined by dividing the median gross rent across all bedrooms for the small area (a ZIP code) by the similar median gross rent for the metropolitan area of the ZIP code. This rent ratio is multiplied by the current two-bedroom rent for the entire metropolitan area containing the small area to generate the current year two-bedroom rent for the small area. In small areas where the median gross rent is not statistically reliable, HUD substitutes the median gross rent for the county containing the ZIP code in the numerator of the rent ratio calculation. For FY 2015 SAFMRs, HUD continues to use the rent ratios developed in conjunction with the calculation of FY 2013 FMRs based on 2006–2010 5-year ACS data.[6]

6 HUD has provided numerous detailed accounts of the calculation methodology used for Small Area Fair Market Rents. Please see our Federal Register notice of April 20, 2011 (76 FR 22125) for more information regarding the calculation methodology. HUD's Final FY 2015 FMR documentation system available at (http://www.huduser.org/portal/ datasets/fmr/fmrs/docsys.html&data=fmr15) contains detailed calculations for each ZIP code area in participating jurisdictions.



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