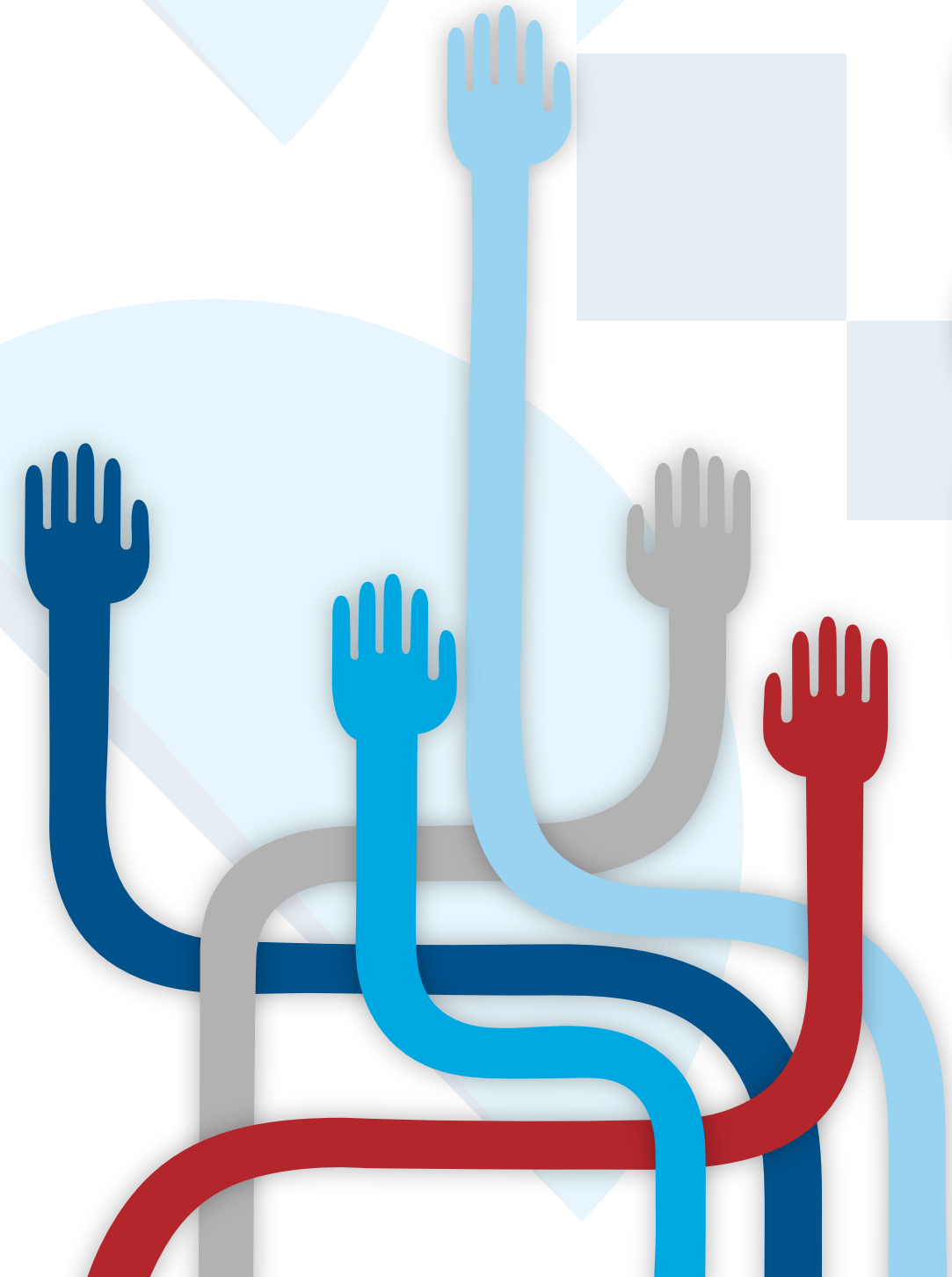

OUT OF REACH 2015

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NATIONAL LOW INCOME HOUSING COALITION

NATIONAL LOW INCOME HOUSING COALITION

Established in 1974 by Cushing N. Dolbeare, the National Low Income Housing Coalition is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes. NLIHC educates, organizes, and advocates to ensure decent, affordable housing within healthy neighborhoods for everyone.

NLIHC provides up-to-date information, formulates policy, and educates the public on housing needs and the strategies for solutions. Permission to reprint portions of this report or the data therein is granted, provided appropriate credit is given to the National Low Income Housing Coalition. Additional copies of Out of Reach are available from NLIHC.

The data for nonmetropolitan areas included in *Out of Reach* are published in collaboration with the Housing Assistance Council.

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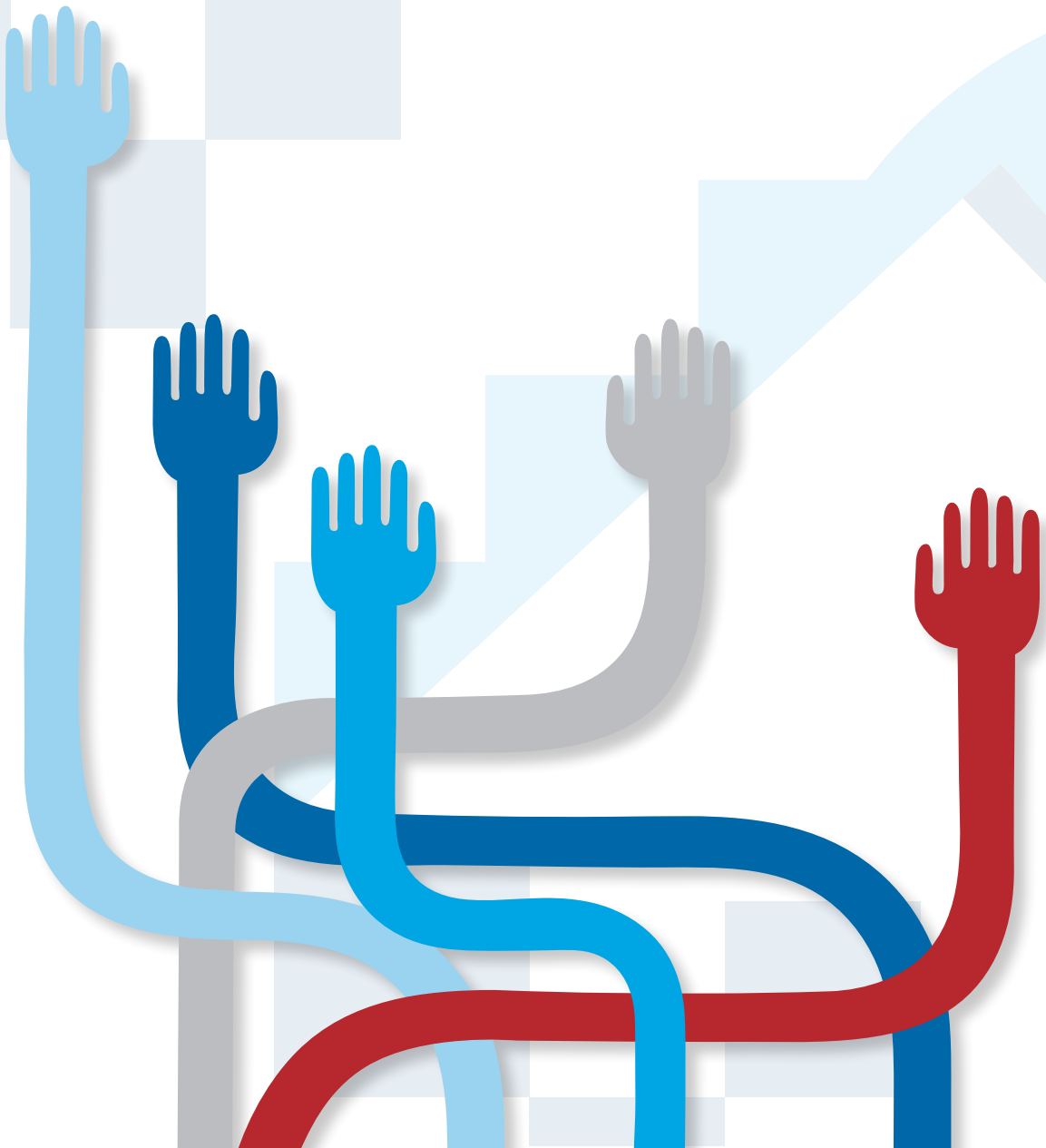

OUT OF REACH 2015

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PREFACE

Success begins at home, and a safe, stable affordable place to live keeps families healthy, helps people find and keep jobs and helps kids come to school ready to learn. A home keeps families stable and connected.

Data-driven decisions help policy makers and communities address housing challenges and ensure a positive return on their investments. The National Low Income Housing Coalition's *Out of Reach* report clearly articulates housing issues and provides law makers, advocates, planners, and concerned citizens with the critical data and information they need to make informed decisions.

The data in *Out of Reach* is sobering. In my home state of Oregon, and in communities across the country, working families searching for affordable rental units find little to nothing in their price range. There simply isn't enough reasonably priced, decently maintained housing to meet the demand, and rapidly rising rents outpace wages. As a result, one out of four households spends more than half their income on housing costs. People with low or fixed incomes face even bleaker situations.

Home ownership rates have reached historic lows, and as fewer people buy homes, rental markets rapidly tighten. Rental vacancy rates in some parts of Oregon are less than one percent, driving rents far above what most low-income households can afford.

The last few years have been especially tough for low-income renters as federal funding for housing programs has been cut. Currently, only 25 percent of eligible households receive housing assistance. *Out of Reach* reveals how difficult it is, year after year, for renters across the country to remain housed. Those who put more than half their income towards rent are forced to choose which bills they can pay, which necessities, food or healthcare, they will forgo to avoid getting evicted or becoming homeless.

Children and families deserve an opportunity to succeed in school and life – success that we know is tied to having a stable home. More must be done to ensure families have the option to live in decent, affordable homes located near their jobs.

Solving this problem requires community investment. Housing that meets the needs of individuals and families is an essential part of the infrastructure that builds a strong workforce and sustains local economies. I have proposed a $100 million investment in affordable housing for Oregon that will add approximately 4,000 new homes to help meet this essential and most fundamental need.

I encourage other leaders to use the data in this report to gain a fuller understanding of the housing needs facing their communities and effect positive change. Our states and our nation will be better off when we take steps to end homelessness; when everyone has a safe and decent place to call home.

Governor Kate Brown
Oregon

INTRODUCTION

Since its founding in 1974 by federal housing policy expert, Cushing Dolbeare, NLIHC has used data to document America's housing affordability crisis. As part of her original analysis, Cushing observed a fundamental mismatch between the wages people earn and the price of decent housing, what we now call *Out of Reach*. Today, housing is still out of reach for far too many, and the gap between what people earn and the price of decent housing continues to grow.

The 2015 Housing Wage is $19.35 for a two-bedroom unit, and $15.50 for a one-bedroom unit. The Housing Wage for a two-bedroom unit is more than 2.5 times the federal minimum wage, and $4 more than the estimated average wage of $15.16 earned by renters nationwide. The Housing Wage is an estimate of the full time hourly wage that a household must earn to afford a decent apartment at HUD's estimated Fair Market Rent (FMR), while spending no more than 30% of income on housing costs. The data in *Out of Reach* illustrate the gap between wages and rents across the country. In 13 states and D.C. the 2015 Housing Wage is more than $20 per hour.

> "IN 13 STATES AND D.C. THE 2015 HOUSING WAGE IS **MORE THAN $20 PER HOUR.**"

Many renters earn far less than the Housing Wage in their community and struggle to find an affordable place to live. This edition of *Out of Reach* highlights some of the economic challenges facing low income renters, including lagging wages, inconsistent job growth, and the rising cost of living. Undoubtedly, the lack of affordable housing remains the overarching problem for low income households, a problem made worse by these economic challenges.

Expanding and preserving the supply of quality, affordable housing is essential to any strategy to end homelessness, poverty, and economic inequality. As our nation's policymakers seek ways of overcoming these societal ills, access to affordable housing must be a cornerstone of any proposal.

Obstacles Persist For Low Income Renters

There is no state in the U.S. where a minimum wage worker working full time can afford a one-bedroom apartment at the fair market rent.

The federal minimum wage remains at just $7.25 per hour in 2015 and has not been raised since 2009. Had the federal minimum wage risen alongside productivity, it would be more than $18 dollars per hour today.[1] The declining value of the federal minimum wage has been identified as a leading cause of growing wage inequality for low-wage workers.[2] While incomes among minimum-wage and other low-wage workers have stagnated, the cost of housing has continued to rise. Multiple economic indicators suggest that rents have risen in nearly all metropolitan areas since 2012.[3]

In no state can an individual working a typical 40-hour workweek at the federal minimum wage afford a one- or two-bedroom apartment for his or her family. In fact, with the exception of a handful of counties in Washington and Oregon (where the state minimum wage is $9.47 and $9.25, respectively), there is no county in the U.S. where even a one-bedroom unit at the FMR is affordable to someone working full time at the minimum wage.[4]

Overall job growth since the Great Recession has been heavily concentrated in low-wage industries, with 44% of new jobs in the recovery paying no more

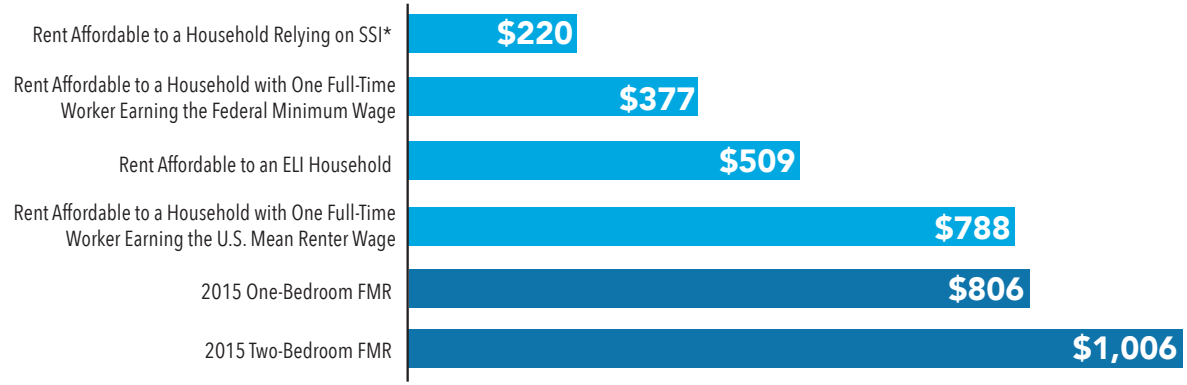
1 Economic Policy Institute. (2015, January 6). *Wage stagnation in nine charts*. Washington DC: Author. Retrieved from: http://www.epi.org/publication/charting-wage-stagnation/

2 Economic Policy Institute (2015, April 1). *A stagnating minimum wage has left low-wage workers facing a longer climb to reach the middle class*. Washington DC: Author. Retrieved from: http://www.epi.org/publication/a-stagnating-minimum-wage-has-left-low-wage-workers-facing-a-longer-climb-to-reach-the-middle-class

3 Joint Center for Housing Studies. *State of the nation's housing 2014*. (2014, June 26). Cambridge, MA: Author. Retrieved from: http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/sonhr14-color-ch5.pdf

4 This analysis takes state minimum wage data, as of May 1, 2015, into account, but does not include city or county minimum wage data, which may be higher.

RENTS REMAIN OUT OF REACH FOR MANY RENTERS



*SSI=Supplemental Security Income

than $13.33 per hour.[5] This trend is likely to continue over the coming decade, with job growth between 2010 and 2020 projected to be dominated by relatively low-wage professions, such as home health aides.[6]

Slow or negative wage growth, especially for low income households, is a major contributing factor to growing income inequality. Between 1979 and 2013, median hourly wages declined 5% for wage earners in the 10th percentile while increasing 41% for wage earners in the 95th percentile.[7] Researchers have identified multiple causes for slow wage growth among low-wage workers, including the decline of union power, the increased use of independent contractors, and the rise of irregular and part-time work scheduling.

In response to these trends, advocates have sought an increase in the minimum wage. In his 2014 and 2015 State of the Union addresses, President Barack Obama called on Congress to raise the federal minimum wage to $10.10 an hour. Shortly after the 2014 address, he used his executive authority to raise the minimum wage for new federal service contracts to $10.10 an hour. While the President's proposal has largely been stymied by Congress, recent progress has been made at the state and local level.

On January 1, 2015, 20 states raised their minimum wage, increasing the incomes of an estimated

5 National Employment Law Project. (2014). *The low-wage recovery: Industry employment and wages four years into the recovery*. Washington, D.C.: Author. Retrieved from: http://www.nelp.org/

6 Bureau of Labor Statistics. (2012, January). *Occupations with the most job growth, 2010 and projected 2020*. Retrieved from: http://www.bls.gov/emp/ep_table_104.htm

7 Economic Policy Institute. (2015, January 6). *Wage Stagnation in Nine Charts*. Washington DC: Author. Retrieved from: http://www.epi.org/publication/charting-wage-stagnation/

DEFINITIONS

Affordability in this report is consistent with the federal standard that no more than 30% of a household's gross income should be spent on rent and utilities. Households paying over 30% of their income are considered cost burdened. Households paying over 50% of their income are considered severely cost burdened.

Area Median Income (AMI) is used to determine income eligibility for affordable housing programs. The AMI is set according to family size and varies by region.

Extremely Low Income (ELI) refers to earning less than 30% of AMI.

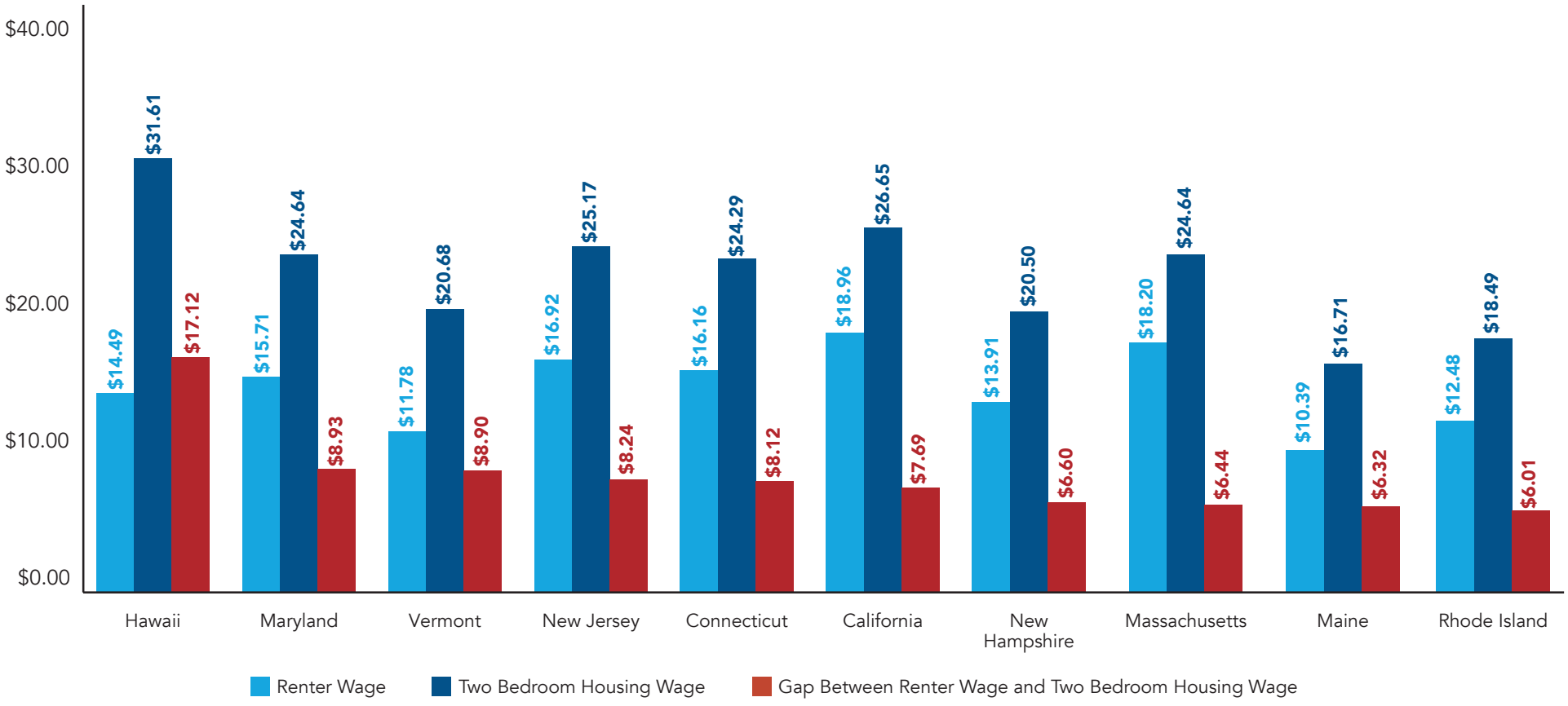
Housing Wage is the estimated full-time hourly wage a household must earn to afford a decent rental unit at HUD-estimated Fair Market Rent while spending no more than 30% of their income on housing costs.

Full-time work is defined as 2,080 hours per year (40 hours each week for 52 weeks). The average employee works roughly 34.5 hours per week, according to the Bureau of Labor Statistics.

Fair Market Rent (FMR) is the 40th percentile of gross rents for typical, non-substandard rental units. FMRs are determined by HUD on an annual basis, and reflect the cost of shelter and utilities. FMRs are used to determine payment standards for the Housing Choice Voucher program and Section 8 contracts.

Renter wage is the estimated hourly wage among renters by region, based on 2013 Bureau of Labor Statistics data, adjusted using the ratio of renter income to the overall household income reported in the ACS and projected to April 1, 2015.

STATES WITH THE LARGEST GAP BETWEEN TWO BEDROOM HOUSING WAGE AND RENTER WAGE



3.1 million low-wage workers.[8] By the end of 2015, the minimum wage will have increased in 25 states and the District of Columbia due to ballot measures, legislation, and prior state laws that require the minimum wage to increase annually to account for the rising cost of living. Currently 29 states and the District of Columbia set their minimum wage above the federal level.[9] In Washington, the House of Representatives voted in March of 2015 to raise the state minimum wage to $12 per hour over a four-year period. This bill will go to the state Senate for consideration. Washington has the highest state minimum wage and this increase would help it continue that distinction.

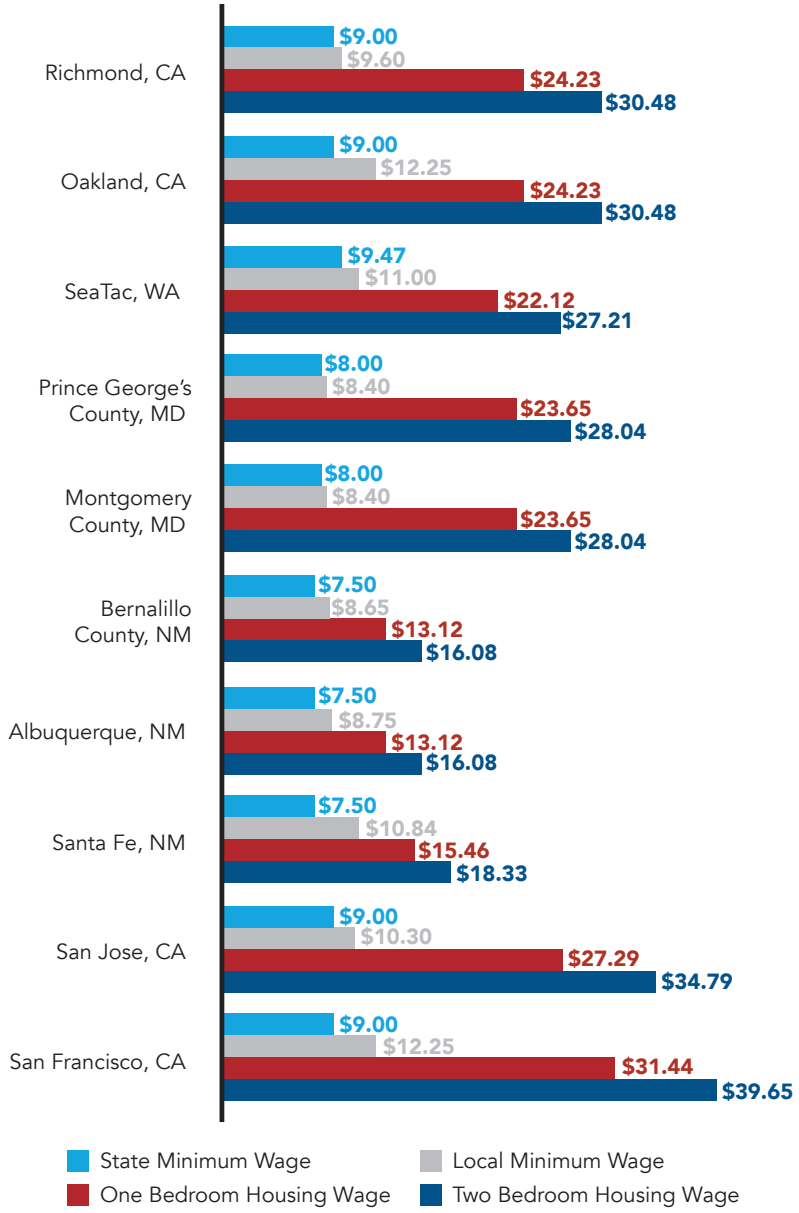
Despite this progress, the 2015 Housing Wage is still more than $9 greater than the proposed $10.10 federal minimum wage, and more than $7 greater than the minimum wage recently proposed in the state of Washington. Among the 29 states and D.C. that currently have a minimum wage that exceeds the federal level, none surpass $9.50 an hour.

Alongside the proposal to increase the minimum wage, it is necessary to

8 Abrams, R. (2014, December 31). States' Minimum Wages Rise, Helping Millions of Workers. *New York Times*. Retrieved from: http://www.nytimes.com/2015/01/01/business/hourly-minimum-wage-is-going-up-for-millions.html

9 Ibid.

MINIMUM WAGE WORKERS IN LOCALITIES WITH HIGHER MINIMUM WAGES STILL EARN FAR LESS THAN THE HOUSING WAGE



Source: NLIHC analysis of National Employment Law Project data on local minimum wages.

expand the supply of housing affordable to minimum-wage and low-wage workers. If the need for housing is not addressed, minimum-wage and low-wage workers will continue to compete for an increasingly limited supply of homes.

U.S. Rents Still Rising, Supply of Affordable Housing Still Insufficient

Rents for apartments have risen nationally for 23 straight quarters. As of the third quarter of 2014, rents were 15.2% higher than at the tail end of the Recession in 2009.[10] Rising rents are an outcome of increased demand for rental housing. One recent study of 11 major cities found double-digit growth in the number of renters in nine of the 11 cities between 2006 and 2013.[11] In the fourth quarter of 2014, the homeownership rate dropped to its lowest rate in twenty years and the rental vacancy rate fell to 7% as more households sought rental units.[12] The downward pressure on vacancy rates directly impacts the rental housing market, making landlords less willing to offer rent

10 Whelan, R. (2014, October 1). Apartment rents are rising steadily and quickly. *Wall Street Journal*. Retrieved from: http://www.wsj.com/articles/apartment-rents-are-rising-steadily-and-quickly-1412220601

11 Furman Center for Real Estate and Urban Policy. (2015, February). NYU Furman Center and Capital One release national affordable rental housing landscape highlighting rental housing trends in America's largest cities [Press release]. Retrieved from: http://furmancenter.org/files/pr/CapOneNYUFurmanCenter_PressRelease_9FEB2015.pdf

12 U.S. Census Bureau. (2015, January 2015). Residential vacancies and homeownership in the fourth quarter 2014. Washington DC: Author. Retrieved from: http://www.census.gov/housing/hvs/files/qtr414/currenthvspress.pdf

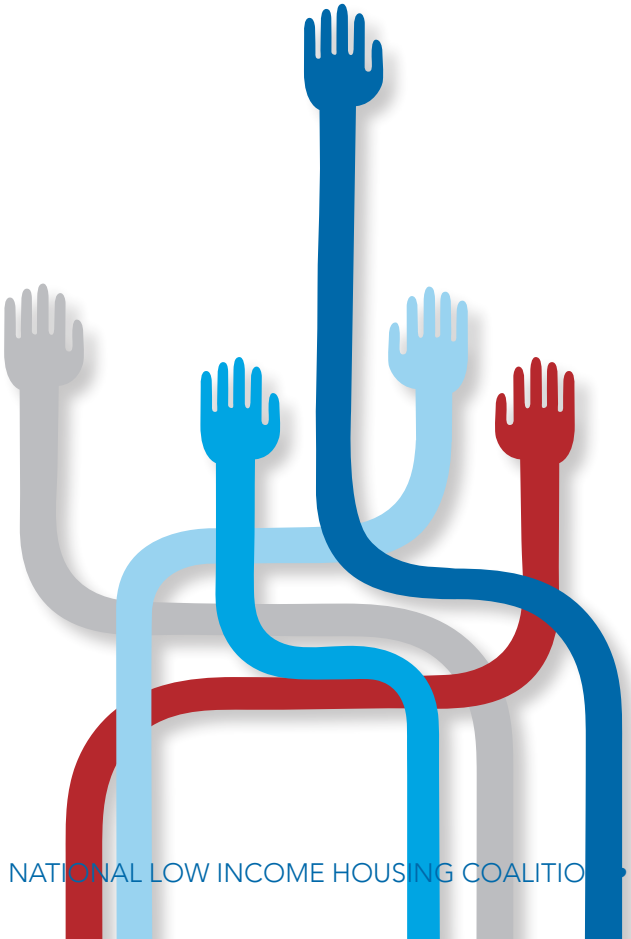
NOTES ON CHART (TO THE LEFT):

1. *Out of Reach* uses the state minimum wage to calculate the number of hours needed to afford an apartment at Fair Market Rent.
2. Local minimum wage amounts used in this chart are as of May 1, 2015. Due to a lack of comprehensive data sources on local minimum wage rates across the United States, *Out of Reach* does not include local minimum wage rates in its state files.
3. Housing Wage calculations in this chart are based on the following statistical geographies: San Francisco HMFA, San Jose-Sunnyvale-Santa Clara HMFA, Oakland-Fremont HMFA, Santa Fe MSA, Albuquerque MSA, Bernalillo County, NM, Seattle-Bellevue, HMFA and Washington-Arlington-Alexandria HMFA.

concessions and more likely to increase rents.

The tightening rental market has the most significant impact on low income renters. Many higher and middle income renters occupy units that are affordable to lower income groups, reducing the supply of affordable and available decent apartments for the lowest income renters. As a result, in 2013, for every 100 extremely low income (ELI) renter households, there were just 31 affordable and available units. ELI households are those with incomes at or below 30% of area median income (AMI). By comparison, there were 57 units and 97 units affordable and available to households at or below 50% of AMI and 80% of AMI, respectively.

An insufficient number of affordable rental housing units are being developed to serve the existing need. The high cost of construction materials and land acquisition, along with difficulty securing financing, are just some of the reasons that few affordable housing units are built.[13] Other reasons include limited operating and capital subsidies available to the developers of affordable housing as many federal, state, and local housing programs have suffered budget cuts in recent years.



The existing supply of subsidized housing is also shrinking. Many subsidized rental properties are at risk of losing their affordability as subsidy contracts expire, which can lead to displacement of lower income households, especially in markets where housing values and rents have risen significantly. In slower growth cities and rural markets there are other constraints on the affordable housing market, such as a lack of access to capital to develop new units, and poor housing quality conditions.

Long waiting lists for public and assisted housing are an indicator of the pent up demand for affordable housing. The supply of public housing continues to shrink while other federal and local housing programs, including the Section 8 housing choice voucher program, are unable to make up for the lost units. For example, in Jefferson County, Kentucky, the Louisville Metro Housing Authority lost 71 public housing units between 2013 and 2014, while the number of vouchers it issued has decreased by 10% since 2010. Meanwhile, the waiting list has more than 3,000 applicants for public housing and more than 17,000 applicants for a housing voucher.[14]

The demand for assisted housing remains high across the country. After the Chicago Housing Authority opened its waiting list for new residents for the first time in several years, 80,000 city residents applied for assistance in a single day.[15] In Boston, more than 10,000 people applied for just 73 new vouchers through the Massachusetts Rental Voucher Program.[16] Increasing the supply of affordable housing is critical to meeting the urgent need for housing in Louisville, Chicago, Boston, and across the United States.

Greatest Housing Need is Among Extremely Low Income Households

Today, one out of every four renter households is an ELI household. There are 10.3 million ELI renter households in the U.S., many of whom lack affordable, safe, and well-maintained housing. Three in four (75%) ELI renters spend more than 50% of their income on housing costs, leaving these 7.8 million

13 Joint Center for Housing Studies. *State of the nation's housing 2014*. (2014, June 26). Cambridge, MA: Author. Retrieved from: http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/sonhr14-color-ch5.pdf

14 Kitchen, S. (2014, December 4). Affordable housing needs remain in Louisville. *The Courier-Journal*. Retrieved from: http://www.courier-journal.com/story/news/local/2014/12/04/affordable-housing-needs-remain-louisville/19892853/

15 Bowean, L. (2014, October 27). Chicago Housing Authority opens wait lists for public housing, vouchers. *Chicago Tribune*. Retrieved from: http://www.chicagotribune.com/news/ct-cha-waiting-list-met-1028-20141027-story.html

16 Johnston, K. (2014, November 28). Demand soars for affordable housing in Boston area. *Boston Globe*. Retrieved from https://www.bostonglobe.com/business/2014/11/28/demand-for-affordable-housing-soars/

households with little left over to meet other basic needs.[17] And the need for affordable housing among ELI households keeps growing. In 2010, there was a need for 6.8 million units both affordable and available to ELI households; this figure rose to 7.1 million by 2013.[18]

ELI households have incomes of no more than $20,357 a year. At this income level, ELI households can afford to spend no more than $509 per month on rent. This year, the national two-bedroom FMR edged up to $1,006, and the one-bedroom FMR is $806, far greater than the rent ELI households can afford.

About 8.3 million individuals receive Supplemental Security Income (SSI) because they are elderly, blind, or disabled, and are not fully covered by Social Security.[19] They are among the nation's poorest citizens. The maximum federal monthly SSI payment for an individual is $733 in 2015. On this income, an SSI recipient can afford rent of only $220 per month.[20] Nearly all SSI beneficiaries (86%) were eligible on the basis of disability in 2013.[21] Among those reliant on SSI, there is not a single county in the U.S. where even a modest efficiency apartment, priced according to the FMR, is affordable.

> "IN BOTH **RURAL** AND **URBAN AMERICA**, RENTERS ARE AFFECTED BY THE **AFFORDABLE HOUSING SHORTAGE**, WITH **49%** HAVING A COST BURDEN, AND **27%** WITH A SEVERE COST BURDEN."

Affordability is a National Concern

Historically, the Housing Wage has been highest in states with large metropolitan areas, including California, New Jersey, and New York. However, unaffordable rents affect low income renters across the U.S., including smaller metropolitan areas and rural communities. Unlike trends in earlier years, rents are rising nationwide, with many mid-sized metropolitan areas such as Denver, CO experiencing rents rising on par or faster than larger metropolitan areas such as San Francisco, CA.[22] One analysis found that the fast growing rental markets in January 2015 included mid-sized cities such as Denver, CO, Kansas City, MO, Nashville, TN, and Portland, OR.[23]

Despite lower housing costs, hourly wages in rural parts of the country are insufficient to meet the rising cost of living. The estimated renter wage is just $10.46 in West Virginia and $11.38 in Kentucky. As a result, many low income renters in rural areas have a housing cost burden or live in substandard housing. In both West Virginia and Kentucky about 70% of ELI renters have a severe housing cost burden, paying more than half their income towards rent.

For each state, *Out of Reach* combines data for counties outside metropolitan areas and calculates the Housing Wage for the nonmetropolitan communities within a state. *Out of Reach 2015* indicates that the two-bedroom Housing Wage, on average across nonmetropolitan America, is $13.48, exceeding the nonmetropolitan renter wage ($10.87) by nearly $3.

In both rural and urban America, renters are affected by the affordable housing shortage, with 49% having a cost burden, and 27% with a severe cost burden.[24] Severely cost-burdened households must often make trade-offs to pay for housing, spending less on food, healthcare, and other necessities.

17 National Low Income Housing Coalition. (2015). *Housing Spotlight: Affordable Housing is Nowhere to be Found for Millions.* Washington, D.C.: Author. Retrieved from http://nlihc.org/article/housing-spotlight-volume-5-issue-1

18 Ibid.

19 Social Security Administration. (2014). SSI annual statistical report, 2013. Washington, DC: Author. Retrieved from http://www.ssa.gov/policy/docs/statcomps/ssi_asr/

20 Because SSI payments are reduced for beneficiaries who report other sources of income, the average federal payment in 2013 was $529. However, 46 states supplement the federal payment for all or a subset of recipients, depending on the state. See Appendix A.

21 Social Security Administration. (2014). *Fast facts & figures about social security, 2014*. Washington DC: Author. Retrieved from http://www.socialsecurity.gov/policy/docs/chartbooks/fast_facts/2014/fast_facts14.html

22 Hudson, K. (2015, January 5). Smaller cities led way in rent increases in 2014. *Wall Street Journal*. Retrieved from: http://www.wsj.com/articles/smaller-cities-led-way-in-rent-increases-in-2014-1420519636

23 Olick, D. (2015, February 20). High rents trickle down to smaller cities. *CNBC*. Retrieved from: http://www.cnbc.com/id/102440614

24 National Low Income Housing Coalition. (2015).

A Tool to Help Close the Gap

In order to close the gap between the demand for affordable housing and the supply, the nation needs to add 7.1 million units affordable to ELI households. While this requires increasing the nation's commitment to affordable housing, it is an achievable goal.

In 2008, the National Housing Trust Fund (NHTF) was established precisely to address the need for additional affordable housing to serve ELI households. Unlike other federal housing programs, the NHTF creates a dedicated pool of funding not subject to the uncertainty of the annual budget appropriations process. The NHTF is designed to serve the lowest income, most vulnerable households, with 90% of the funding reserved for rental housing and 75% that amount reserved solely for ELI households.

> "**NLIHC** CONTINUES TO PURSUE ADDITIONAL DEDICATED SOURCES OF **FUNDING FOR THE NHTF.**"

The dedicated sources of funds are to come from a 4.2 basis point (0.042%) assessment on the new business of Fannie Mae and Freddie Mac, with 65% set aside for the NHTF and 35% for the Capital Magnet Fund (CMF). However, because of the financial crisis in the fall of 2008, the intended dedicated sources of funding were suspended until December 2014, when the Federal Housing Finance Agency (FHFA) Director Mel Watt ended the suspension. Fannie Mae and Freddie Mac were directed to begin setting aside funding beginning on January 1, 2015 and transfer accumulated funds to the NHTF and CMF 60 days after the close of 2015. The estimated amount of funding to come to the NHTF from these assessments range from $120 to $300 million. Unfortunately, more funding is necessary to address the shortage of affordable rental units nationwide.

NLIHC continues to pursue additional dedicated sources of funding for the NHTF. NLIHC has proposed modest changes to the Mortgage Interest Deduction that would generate significant new revenue, enough to take the NHTF to scale.

THE NUMBERS IN THIS REPORT

As in past years, *Out of Reach 2015* is based on data from HUD, the U.S. Census Bureau, the Bureau of Labor Statistics, the Department of Labor, and the Social Security Administration to make its case. See Appendix A for a detailed explanation of data sources and methodologies.

The FMR on which the Housing Wage is based is HUD's best estimate of what a household seeking a modest rental unit in a short amount of time can expect to pay for ***rent and utilities*** in the current market. Thus, the FMR is an estimate of what a family moving today can expect to pay for a modest rental home, *not* what current renters are paying *on average*. See Appendix B for information on how HUD calculates the FMR.

Readers are cautioned against comparing statistics in one edition of *Out of Reach* with those in another. In recent years, HUD has changed its methodology for calculating FMRs and incomes. Since 2012, HUD has developed the FMR estimates using American Community Survey (ACS) data as base rents, rather than data from the Decennial Survey. The new methodology can introduce more year-to-year variability into the data. For this reason and others (e.g., changes to the metropolitan area definitions), readers should not compare this year's data to previous editions of *Out of Reach* and assume that differences reflect actual market dynamics. Please consult the appendices and NLIHC research staff for assistance interpreting changes in the data.

In conjunction with this printed report, NLIHC launched a new interactive Out of Reach website in 2015. This website allows users to quickly find key statistics for their state and compare county-level data to state-level data or to data from another county or metropolitan area within the state. All data can easily be printed, downloaded, and shared via social media or email. The site also includes any news items related to *Out of Reach* and a twitter feed showing tweets with the hashtags #OOR2015 or #HousingWage. The full printed book will also be available for download along with selected graphics. Go to www.nlihc.org/oor/2015 to explore this new *Out of Reach* platform.

HOW TO USE THE NUMBERS

A renter household needs to earn at least $19.35 per hour in order to afford a two-bedroom unit at FMR.

For a family earning 100% of AMI, monthly rent of $1,696 or less is affordable.

The annual median family income (AMI) in the United States is $67,857 (2015).

There were 40,900,809 renter households in the United States (2009-2013).

Renter households represented 35% of all households in the United States (2009-2013).

The estimated mean (average) renter wage in the United States is $15.16 per hour (2015).

	FY15 HOUSING WAGE	HOUSING COSTS			AREA MEDIAN INCOME (AMI)				RENTER HOUSEHOLDS				
	Hourly wage needed to afford 2 BR[1] FMR[2]	2 BR FMR	Annual income needed to afford 2 BR FMR	Full-time jobs at minimum wage[3] needed to afford 2 BR FMR	Annual AMI[4]	Monthly rent affordable at AMI[5]	30% of AMI[6]	Monthly rent affordable at 30% of AMI	Renter households (2009-2013)	% of total households (2009-2013)	Estimated hourly mean renter wage (2015)	Monthly rent affordable at mean renter wage	Full-time jobs at mean renter wage needed to afford 2 BR FMR
UNITED STATES	**$19.35**	**$1,006**	**$40,240**	**2.7**	**$67,857**	**$1,696**	**$20,357**	**$509**	**40,900,809**	**35%**	**$15.16**	**$788**	**1.3**

The FMR for a two-bedroom rental unit in the United States is $1,006 (2015).

A renter household needs an annual income of $40,240 in order to afford a two-bedroom rental unit at FMR.

A renter household needs 2.7 full-time jobs paying the minimum wage in order to afford a two-bedroom rental unit at FMR.

In the United States, an extremely low income family (30% of AMI) earns $20,357 annually.

For a family earning 30% of AMI, monthly rent of $509 or less is affordable.

If a household earns the mean renter wage, monthly rent of $788 or less is affordable.

A renter household needs 1.3 full-time jobs paying the mean renter wage in order to afford a two-bedroom rental unit at FMR.

1: BR = Bedroom.

2: FMR = Fiscal Year 2015 Fair Market Rent (HUD, 2014).

3: This calculation uses the higher of the state or federal minimum wage. Local minimum wages are not used. See Appendix A.

4: AMI = Fiscal Year 2015 Area Median Income (HUD, 2015).

5: "Affordable" rents represent the generally accepted standard of spending no more than 30% of gross income on rent and utilities.

6: The federal standard for extremely low income households. Does not include HUD-specific adjustments.

WHERE THE NUMBERS COME FROM

Divide income needed to afford FMR ($40,240) by 52 (weeks per year) and then by 40 (hours per work week) ($40,240 / 52 = $774; $774 / 40 = $19.35).

Multiply Annual AMI by .3 to get maximum amount that can be spent on housing for it to be affordable ($67,857 x .3 = $20,357). Divide by 12 to obtain monthly amount ($20,357 / 12 = $1,696).

HUD FY15 estimated median family income based on data from 2009-2013 American Community Survey (ACS).

Divide number of renter households by total number of households (ACS 2009-2013) (40,900,809/ 116,833,230 = .35).Then multiply by 100 (.35 x 100 = 35%).

ACS (2009-2013).

Average wage reported by the Bureau of Labor Statistics (BLS) for 2013, adjusted to reflect the income of renter households relative to all households in the United States, and projected to April 1, 2015. See Appendix A.

	FY15 HOUSING WAGE	HOUSING COSTS			AREA MEDIAN INCOME (AMI)				RENTER HOUSEHOLDS				
	Hourly wage needed to afford 2 BR[1] FMR[2]	2 BR FMR	Annual income needed to afford 2 BR FMR	Full-time jobs at minimum wage[3] needed to afford 2 BR FMR	Annual AMI[4]	Monthly rent affordable at AMI[5]	30% of AMI[6]	Monthly rent affordable at 30% of AMI	Renter households (2009-2013)	% of total households (2009-2013)	Estimated hourly mean renter wage (2015)	Monthly rent affordable at mean renter wage	Full-time jobs at mean renter wage needed to afford 2 BR FMR
UNITED STATES	**$19.35**	**$1,006**	**$40,240**	**2.7**	**$67,857**	**$1,696**	**$20,357**	**$509**	**40,900,809**	**35%**	**$15.16**	**$788**	**1.3**

Developed by HUD annually (2015). See Appendix B.

Multiply the FMR by 12 to get yearly rental cost ($1,006 x 12 = $12,072). Then divide by .3 to determine the total income needed to afford $12,072 per year in rent ($12,072 / .3 = $40,240).

Divide income needed to afford the FMR by 52 (weeks per year) ($40,240 / 52 = $774). Then divide by $7.25 (the Federal minimum wage) ($774 / $7.25 = 107 hours). Finally, divide by 40 (hours per work week (107 / 40=2.7 full-time jobs).

Multiply Annual AMI by .3 ($67,857 x .3 = $20,357).

Multiply 30% of Annual AMI by .3 to get maximum amount that can be spent on housing for it to be affordable ($20,357 x .3 = $6,107). Divide by 12 to obtain monthly amount ($6,107/ 12 = $509).

Calculate annual income by multiplying mean renter wage by 40 (hours per week) and 52 (weeks per year) ($15.16 x 40 x 52 = $31,533). Multiply by .3 to determine maximum amount that can be spent on rent ($31,533 x .3 = $9,460). Divide by 12 to obtain monthly amount ($9,460/ 12=$788)

Divide income needed to afford the FMR by 52 (weeks per year) ($40,240 / 52 = $774). Then divide by $15.16 (The United States' mean renter wage) ($774 / $15.16 = 51 hours). Finally, divide by 40 (hours per work week) (51/ 40 = 1.3 full-time jobs).

1: BR = Bedroom.

2: FMR = Fiscal Year 2015 Fair Market Rent (HUD, 2014).

3: This calculation uses the higher of the state or federal minimum wage. Local minimum wages are not used. See Appendix A.

4: AMI = Fiscal Year 2015 Area Median Income (HUD, 2015).

5: "Affordable" rents represent the generally accepted standard of spending no more than 30% of gross income on rent and utilities.

6: The federal standard for extremely low income households. Does not include HUD-specific adjustments.

2015 MOST EXPENSIVE JURISDICTIONS

States[1]	Housing Wage for Two-Bedroom FMR
Hawaii	$31.61
District of Columbia	$28.04
California	$26.65
New York	$25.67
New Jersey	$25.17
Massachusetts	$24.64
Maryland	$24.64
Connecticut	$24.29
Alaska	$22.55
Washington	$21.69

Counties[2]	Housing Wage for Two-Bedroom FMR
Marin County, CA	$39.65
San Francisco County, CA	$39.65
San Mateo County, CA	$39.65
Honolulu County, HI	$34.81
Santa Clara County, CA	$34.79
Santa Cruz County, CA	$33.77
Nassau County, NY	$33.04
Suffolk County, NY	$33.04
Monroe County, FL	$31.44
Orange County, CA	$30.92

Metropolitan Areas	Housing Wage for Two-Bedroom FMR
San Francisco, CA HMFA[3]	$39.65
Stamford-Norwalk, CT HMFA	$37.37
Honolulu, HI MSA[4]	$34.81
San Jose-Sunnyvale-Santa Clara, CA HMFA	$34.79
Santa Cruz-Watsonville, CA MSA	$33.77
Nassau-Suffolk, NY HMFA	$33.04
Orange County, CA HMFA	$30.92
Westchester County, NY	$30.60
Oakland-Fremont, CA HMFA	$30.48
Danbury, CT HMFA	$30.44

Combined Nonmetro Areas	Housing Wage for Two-Bedroom FMR
Massachusetts	$27.68
Hawaii	$23.25
Alaska	$20.59
New Hampshire	$19.78
Connecticut	$19.15
Delaware	$18.98
Maryland	$18.94
California	$18.44
Vermont	$17.94
Colorado	$16.62

1: Includes District of Columbia.
2: Excludes metropolitan counties in New England.
3: HMFA = HUD Metro Fair Market Rent (FMR) Area. This term indicates that a portion of the Office of Management & Budget (OMB) defined core-based statistical area is in the area to which the income limits and FMRs apply. HUD is required by OMB to alter the name of the metropolitan geographic entities it derives from the Core Based Statistical Area (CBSA) when the geography is not the same as that established by the OMB. CBSA is a collective term meaning both metro and micro.
4: MSA = Metropolitan Statistical Area. Geographic entities defined by OMB for use by the federal statistical agencies in collecting, tabulating, and publshing federal statistics. A metro area contains an urban core of 50,000 or more in population.

2015 STATES RANKED BY TWO-BEDROOM HOUSING WAGE

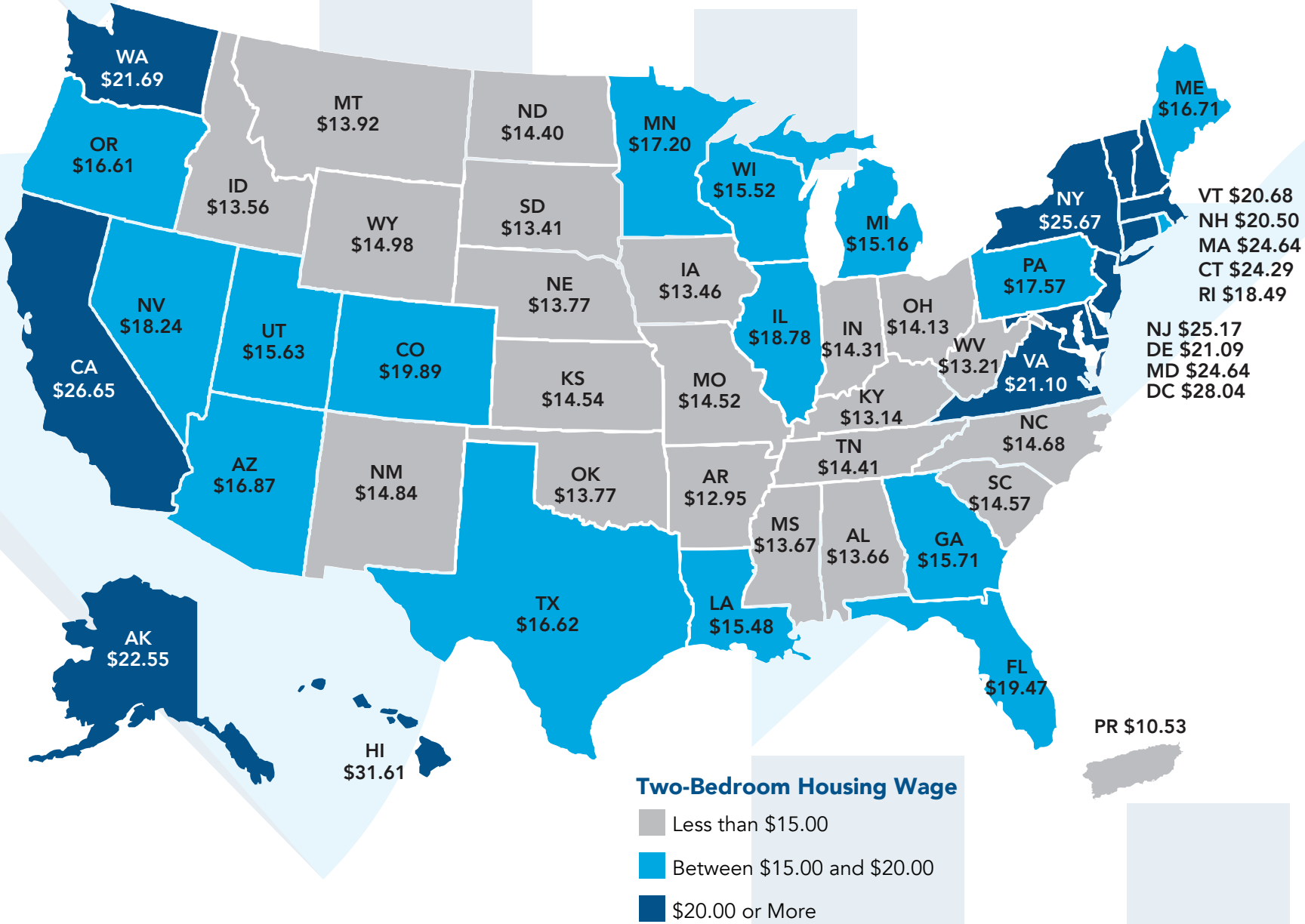
States are ranked from most expensive to least expensive.

Rank	State[1]	Housing Wage for Two-Bedroom FMR[2]
1	Hawaii	$31.61
2	District of Columbia	$28.04
3	California	$26.65
4	New York	$25.67
5	New Jersey	$25.17
6	Massachusetts	$24.64
7	Maryland	$24.64
8	Connecticut	$24.29
9	Alaska	$22.55
10	Washington	$21.69
11	Virginia	$21.10
12	Delaware	$21.09
13	Vermont	$20.68
14	New Hampshire	$20.50
15	Colorado	$19.89
16	Florida	$19.47
17	Illinois	$18.78
18	Rhode Island	$18.49
19	Nevada	$18.24
20	Pennsylvania	$17.57
21	Minnesota	$17.20
22	Arizona	$16.87
23	Maine	$16.71
24	Texas	$16.62
25	Oregon	$16.61
26	Georgia	$15.71
27	Utah	$15.63
28	Wisconsin	$15.52
29	Louisiana	$15.48
30	Michigan	$15.16
31	Wyoming	$14.98
32	New Mexico	$14.84
33	North Carolina	$14.68
34	South Carolina	$14.57
35	Kansas	$14.54
36	Missouri	$14.52
37	Tennessee	$14.41
38	North Dakota	$14.40
39	Indiana	$14.31
40	Ohio	$14.13
41	Montana	$13.92
42	Nebraska	$13.77
43	Oklahoma	$13.77
44	Mississippi	$13.67
45	Alabama	$13.66
46	Idaho	$13.56
47	Iowa	$13.46
48	South Dakota	$13.41
49	West Virginia	$13.21
50	Kentucky	$13.14
51	Arkansas	$12.95
52	Puerto Rico	$10.53

1 Includes District of Columbia and Puerto Rico.
2 FMR = Fair Market Rent.

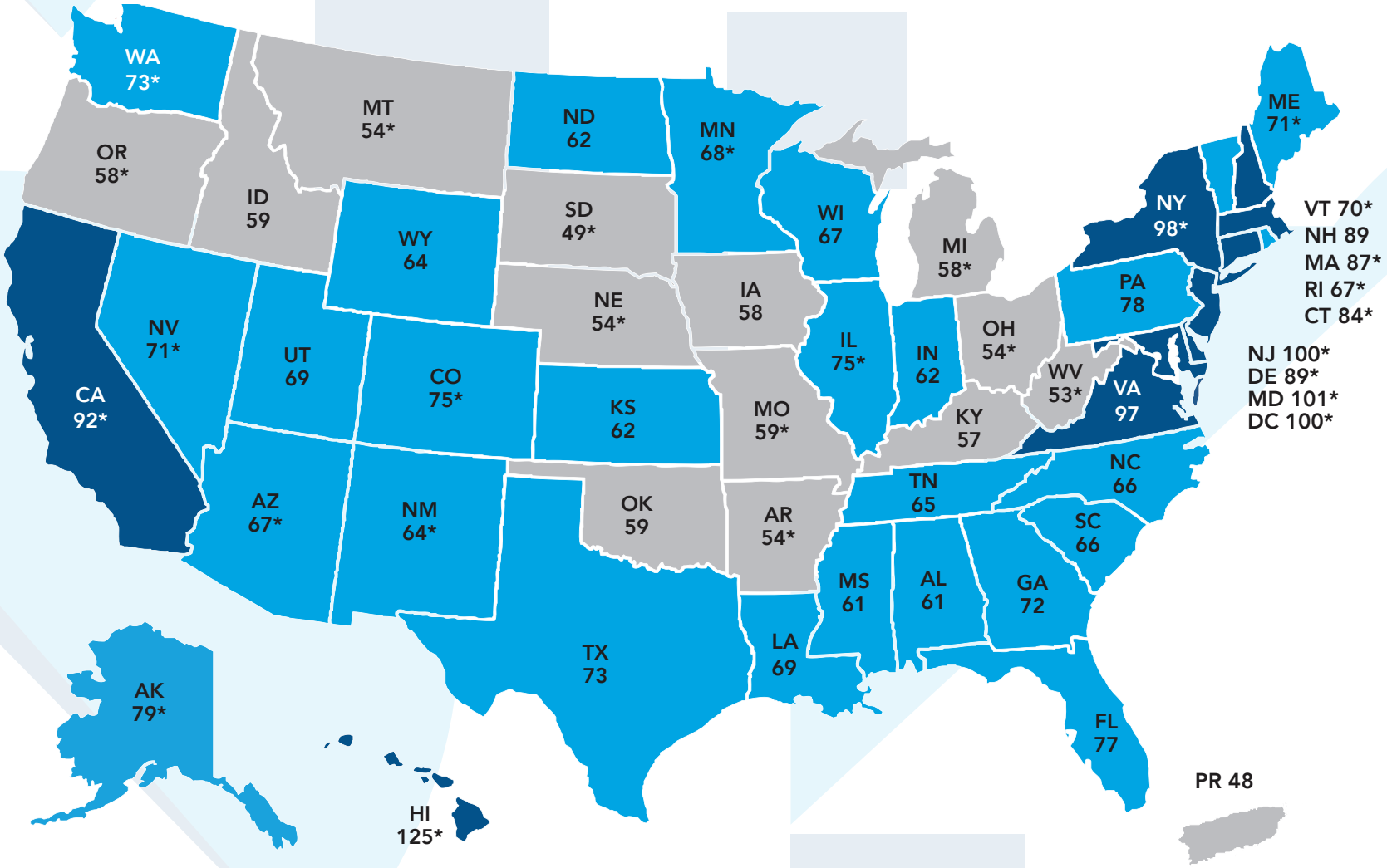
2015 TWO-BEDROOM RENTAL UNIT HOUSING WAGE

Represents the hourly wage that a household must earn (working 40 hours a week, 52 weeks a year) in order to afford the Fair Market Rent for a two-bedroom rental unit, without paying more than 30% of their income.



2015 HOURS AT MINIMUM WAGE NEEDED TO AFFORD RENT

In no state can a minimum wage worker afford a **ONE-BEDROOM** rental unit at Fair Market Rent, working a standard 40-hour work week, without paying more than 30% of their income.



Hours needed at minimum wage to afford a one-bedroom unit

60 hours per week or less | Between 61-79 hours per week | 80 hours per week or more

*This state's minimum wage exceeds the federal minimum wage

STATE SUMMARY

	FY15 HOUSING WAGE	HOUSING COSTS			AREA MEDIAN INCOME (AMI)				RENTER HOUSEHOLDS				
State	Hourly wage needed to afford 2 BR[1] FMR[2]	2 BR FMR	Annual Income needed to afford 2 BR FMR	Full time jobs at minimum wage needed to afford 2 BR FMR[3]	Annual AMI[4]	Monthly rent affordable[5] at AMI	30% of AMI[6]	Monthly rent affordable at 30% of AMI	Renter households (2009-2013)	% of households (2009-2013)	Estimaged hourly mean renter wage (2015)	Monthly rent affordable at mean renter wage	Full-time jobs at mean renter wage needed to afford 2 BR FMR
Alabama	$13.66	$710	$28,412	1.9	$56,827	$1,421	$17,048	$426	557,079	30%	$11.48	$597	1.2
Alaska	$22.55	$1,173	$46,910	2.6	$84,393	$2,110	$25,318	$633	91,096	36%	$17.47	$908	1.3
Arizona	$16.87	$877	$35,096	2.1	$60,401	$1,510	$18,120	$453	842,814	36%	$15.11	$786	1.1
Arkansas	$12.95	$673	$26,931	1.7	$53,187	$1,330	$15,956	$399	375,930	33%	$11.68	$607	1.1
California	$26.65	$1,386	$55,433	3.0	$72,330	$1,808	$21,699	$542	5,603,356	45%	$18.96	$986	1.4
Colorado	$19.89	$1,034	$41,377	2.4	$76,127	$1,903	$22,838	$571	684,946	35%	$15.43	$802	1.3
Connecticut	$24.29	$1,263	$50,515	2.7	$91,204	$2,280	$27,361	$684	436,361	32%	$16.16	$840	1.5
Delaware	$21.09	$1,096	$43,860	2.7	$74,432	$1,861	$22,330	$558	92,484	28%	$15.73	$818	1.3
District of Columbia	$28.04	$1,458	$58,320	3.0	$109,200	$2,730	$32,760	$819	152,579	58%	$26.08	$1,356	1.1
Florida	$19.47	$1,012	$40,488	2.4	$58,275	$1,457	$17,482	$437	2,351,983	33%	$14.32	$744	1.4
Georgia	$15.71	$817	$32,675	2.2	$61,195	$1,530	$18,358	$459	1,226,067	35%	$14.04	$730	1.1
Hawaii	$31.61	$1,644	$65,746	4.1	$81,353	$2,034	$24,406	$610	190,501	42%	$14.49	$753	2.2
Idaho	$13.56	$705	$28,214	1.9	$58,012	$1,450	$17,404	$435	175,063	30%	$10.98	$571	1.2
Illinois	$18.78	$977	$39,067	2.3	$72,427	$1,811	$21,728	$543	1,552,685	33%	$14.90	$775	1.3
Indiana	$14.31	$744	$29,764	2.0	$62,358	$1,559	$18,707	$468	745,312	30%	$12.27	$638	1.2
Iowa	$13.46	$700	$28,004	1.9	$68,320	$1,708	$20,496	$512	340,605	28%	$10.98	$571	1.2
Kansas	$14.54	$756	$30,247	2.0	$64,826	$1,621	$19,448	$486	360,703	32%	$12.35	$642	1.2
Kentucky	$13.14	$683	$27,327	1.8	$57,273	$1,432	$17,182	$430	535,808	32%	$11.38	$592	1.2
Louisiana	$15.48	$805	$32,200	2.1	$57,537	$1,438	$17,261	$432	564,352	33%	$13.13	$683	1.2
Maine	$16.71	$869	$34,759	2.2	$63,929	$1,598	$19,179	$479	156,275	28%	$10.39	$540	1.6
Maryland	$24.64	$1,281	$51,249	3.1	$94,724	$2,368	$28,417	$710	695,347	32%	$15.71	$817	1.6
Massachusetts	$24.64	$1,281	$51,256	2.7	$88,967	$2,224	$26,690	$667	943,229	37%	$18.20	$946	1.4
Michigan	$15.16	$788	$31,524	1.9	$63,757	$1,594	$19,127	$478	1,066,218	28%	$12.39	$644	1.2
Minnesota	$17.20	$894	$35,767	2.1	$78,564	$1,964	$23,569	$589	578,960	27%	$13.11	$682	1.3
Mississippi	$13.67	$711	$28,428	1.9	$49,119	$1,228	$14,736	$368	332,941	31%	$10.66	$554	1.3
Missouri	$14.52	$755	$30,195	1.9	$63,418	$1,585	$19,025	$476	746,190	32%	$12.57	$653	1.2

1: BR = Bedroom.
2: FMR = Fiscal Year 2015 Fair Market Rent (HUD, 2014).
3: This calculation uses the higher of the state or federal minimum wage. Local minimum wages are not used. See Appendix A.
4: AMI = Fiscal Year 2015 Area Median Income (HUD, 2015).
5: Affordable" rents represent the generally accepted standard of spending no more than 30% of gross incomeon rent and utilities.
6: The federal standard for extremely low income households. Does not include HUD-specific adjustments.

	FY15 HOUSING WAGE	HOUSING COSTS			AREA MEDIAN INCOME (AMI)				RENTER HOUSEHOLDS				
State	Hourly wage needed to afford 2 BR[1] FMR[2]	2 BR FMR	Annual Income needed to afford 2 BR FMR	Full time jobs at minimum wage needed to afford 2 BR FMR[3]	Annual AMI[4]	Monthly rent affordable[5] at AMI	30% of AMI[6]	Monthly rent affordable at 30% of AMI	Renter households (2009-2013)	% of households (2009-2013)	Estimaged hourly mean renter wage (2015)	Monthly rent affordable at mean renter wage	Full-time jobs at mean renter wage needed to afford 2 BR FMR
Montana	$13.92	$724	$28,960	1.7	$62,359	$1,559	$18,708	$468	128,586	32%	$10.91	$567	1.3
Nebraska	$13.77	$716	$28,645	1.7	$67,511	$1,688	$20,253	$506	239,254	33%	$11.41	$593	1.2
Nevada	$18.24	$949	$37,944	2.2	$60,660	$1,516	$18,198	$455	432,095	43%	$15.34	$798	1.2
New Hampshire	$20.50	$1,066	$42,646	2.8	$81,568	$2,039	$24,470	$612	148,072	29%	$13.91	$723	1.5
New Jersey	$25.17	$1,309	$52,347	3.0	$88,582	$2,215	$26,575	$664	1,095,353	34%	$16.92	$880	1.5
New Mexico	$14.84	$772	$30,872	2.0	$55,809	$1,395	$16,743	$419	238,594	31%	$12.30	$639	1.2
New York	$25.67	$1,335	$53,401	2.9	$74,350	$1,859	$22,305	$558	3,311,238	46%	$22.21	$1,155	1.2
North Carolina	$14.68	$764	$30,541	2.0	$59,190	$1,480	$17,757	$444	1,249,177	34%	$12.96	$674	1.1
North Dakota	$14.40	$749	$29,959	2.0	$72,608	$1,815	$21,782	$545	97,465	34%	$14.19	$738	1.0
Ohio	$14.13	$735	$29,388	1.7	$63,917	$1,598	$19,175	$479	1,482,863	33%	$12	$624	1.2
Oklahoma	$13.77	$716	$28,639	1.9	$58,693	$1,467	$17,608	$440	475,345	33%	$13.21	$687	1.0
Oregon	$16.61	$864	$34,547	1.8	$64,360	$1,609	$19,308	$483	576,313	38%	$13.61	$708	1.2
Pennsylvania	$17.57	$914	$36,545	2.4	$70,354	$1,759	$21,106	$528	1,495,915	30%	$13.66	$710	1.3
Puerto Rico	$10.53	$547	$21,899	1.5	$24,231	$606	$7,269	$182	367,988	30%	$6.93	$360	1.5
Rhode Island	$18.49	$961	$38,452	2.1	$75,644	$1,891	$22,693	$567	159,244	39%	$12.48	$649	1.5
South Carolina	$14.57	$758	$30,307	2.0	$56,295	$1,407	$16,888	$422	550,070	31%	$11.42	$594	1.3
South Dakota	$13.41	$698	$27,901	1.6	$65,180	$1,630	$19,554	$489	103,264	32%	$10.67	$555	1.3
Tennessee	$14.41	$749	$29,977	2.0	$56,925	$1,423	$17,078	$427	797,990	32%	$12.81	$666	1.1
Texas	$16.62	$864	$34,563	2.3	$64,251	$1,606	$19,275	$482	3,262,919	37%	$16.62	$864	1.0
Utah	$15.63	$813	$32,501	2.2	$69,349	$1,734	$20,805	$520	264,916	30%	$12.25	$637	1.3
Vermont	$20.68	$1,075	$43,017	2.3	$71,808	$1,795	$21,542	$539	74,467	29%	$11.78	$613	1.8
Virginia	$21.10	$1,097	$43,878	2.9	$79,674	$1,992	$23,902	$598	989,637	33%	$16.55	$861	1.3
Washington	$21.69	$1,128	$45,119	2.3	$75,904	$1,898	$22,771	$569	967,699	37%	$16.30	$848	1.3
West Virginia	$13.21	$687	$27,479	1.7	$55,268	$1,382	$16,580	$415	197,331	27%	$10.46	$544	1.3
Wisconsin	$15.52	$807	$32,276	2.1	$69,471	$1,737	$20,841	$521	729,486	32%	$11.90	$619	1.3
Wyoming	$14.98	$779	$31,165	2.1	$74,040	$1,851	$22,212	$555	66,644	30%	$14.27	$742	1.1

1: BR = Bedroom.
2: FMR = Fiscal Year 2015 Fair Market Rent (HUD, 2014).
3: This calculation uses the higher of the state or federal minimum wage. Local minimum wages are not used. See Appendix A.
4: AMI = Fiscal Year 2015 Area Median Income (HUD, 2015).
5: Affordable" rents represent the generally accepted standard of spending no more than 30% of gross incomeon rent and utilities.
6: The federal standard for extremely low income households. Does not include HUD-specific adjustments.

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.

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.

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.

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

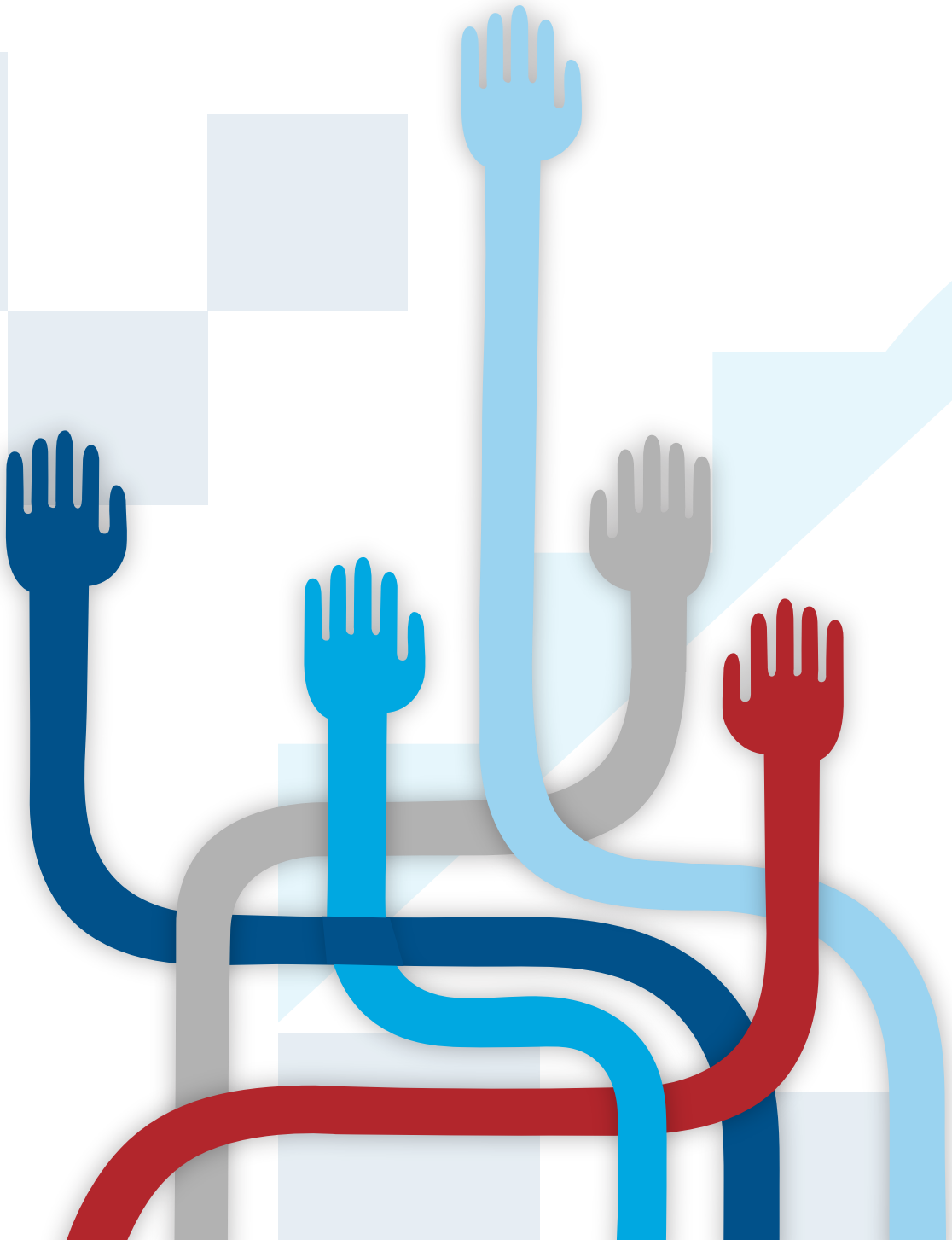
home space FMRs where public comments present statistically valid survey data showing the 40th-percentile manufactured home space rent (including the cost of utilities) for the entire FMR area.

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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