

Implementing Small Area Fair Market Rents (SAFMRs) for the HCV Program

**In-Person Training
March 2018**





Welcome & Introductions



Purpose and Learning Objectives

- Overview of SAFMR requirements
- Discuss policy considerations and decisions
- Provide practical guidance around implementation

Agenda

Time	Topic
9:00 AM	Welcome and Introductions
9:15 AM	Overview of SAFMR Requirements
10:00 AM	Setting Payment Standards
	Exercise 1
10:30 AM	Break
10:45 AM	Grouping Payment Standards
	Exercise 2-1 and Exercise 2-2
12:00 PM	Lunch
1:00 PM	Managing Reductions in Payment Standards During the HAP Contract Term
2:00 PM	Administrative Impacts of SAFMR Implementation
2:30 PM	Break
2:45 PM	Factors to Consider for PBV
3:00 PM	Working with Tenants & Owners
3:30 PM	Exercise 3
3:45 PM	Additional Resources & Questions
4:00 PM	Adjourn



Overview of SAFMRs



Overview of SAFMRs

- Policy background
 - November 2016, *Federal Register*: Final Rule Establishing Small Area FMRs
- What are Small Area FMRs
 - Rents calculated at ZIP code area
- Purpose of Small Area FMRs
 - Enable assisted households to find affordable homes in high-opportunity areas

Scope of the Program

- “Designated” Small Area FMR PHAs
 - 24 metropolitan areas where the use of Small Area FMRs is mandatory
- “Opt-in” Small Area FMR PHAs
 - Voluntary participants

Applicability

- For jurisdictions that include both **designated** SAFMR areas and **non-designated** SAFMR areas:
 - SAFMRs will apply in the Designated SAFMR areas *only*
- For MTW agencies:
 - Exempt from the requirement if the agency has an alternative payment standards policy in its HUD-approved Annual MTW Plan
 - Required to use SAFMRs if it does not have an alternative payment standards policy in its HUD-approved Annual MTW Plan
- Applies to all tenant-based vouchers and special housing types
- Does NOT apply to other HUD programs (e.g., HOME)

Annual Limits on FMR Reductions

- 1st Year - HUD's published FMR for ZIP code area will be no less than 90 percent of the area's MAFMR in the previous fiscal year
- Subsequent years – SAFMRs will be no lower than 90 percent of the previous year's SAFMRs for that ZIP code area

HUD-Imposed Limits on Reductions

MAFMR

- \$1,200
- Full 2-BR FMR for Metro Area

SAFMR

- \$1,080 (1st Year)
- Maximum Reduction (\$120) in Year 1 SAFMR

SAFMR

- \$972 (2nd Year)
- Maximum Reduction (\$108) in Year 2 SAFMR

Portability Moves

- Unchanged from previous policy:
 - Policies of the receiving PHA determine how vouchers of porting families are handled
 - Receiving PHA has option to absorb or administer the voucher
- If the receiving PHA has adopted SAFMRs and does not absorb the voucher, the sending PHA has to reimburse the receiving PHA for the HAP at the SAFMR rate

Suspensions & Temporary Exemptions

- HUD issues Notice of Suspension or Temporary Exemption
 - Adverse rental housing market conditions:
 - A Presidentially declared Disaster Area that results in the loss of a substantial number of housing units
 - Other events that contribute to a sudden loss of rental units
 - Current vacancy rates falling below four percent
 - A rapid increase in the PHA's per-unit costs causing the PHA to experience a funding shortfall
 - A sudden influx of households into the metropolitan area
- PHA requests for suspension or temporary Exemption
 - Request must be based on documentation of an adverse rental housing market condition *currently* affecting the area and/or the PHA(s) making the request

Questions?



Setting Payment Standards



Revisions to Payment Standards

- Basic Range (90% -110% of FMR)
- Where the payment standard is outside of the basic range for SAFMRs, revise the payment standard for that area to bring the payment standard within the basic range
- Revised payment standard schedule must go into effect no later than 3 months following the *effective date* of the published FMR

Apply Old Payment Standard

- When the reexamination of income has an effective date prior to the effective date of the revised payment standard schedule
- When the effective date of a new HAP contract is prior to the effective date of the revised payment standard schedule

Apply Revised Payment Standard

- When the reexamination of income has an effective date on or after the effective date of the revised payment standard schedule
- When the effective date of a new HAP contract is on or after the effective date of the revised payment standard schedule

Options for Setting Payment Standards

- Setting payment standard amounts within the basic range
 - Must set payment standards for each unit size at an amount that falls from 90 up to and including 110 percent of the SAFMR
 - Percentage of the SAFMR used for each ZIP code area can vary
- Using payment standards for individual ZIP codes and grouped ZIP codes
 - Create unique payment standard schedule for each ZIP code area, or
 - Create a smaller number of payment standard areas by grouping multiple ZIP code areas together

Example Small Area FMR Table



FY2018 ADVISORY SMALL AREA FMRs FOR PHILADELPHIA-CAMDEN-WILMINGTON, PA-NJ-DE-MD MSA

In metropolitan areas, HUD defines Small Areas using ZIP Codes within the metropolitan area. Using ZIP codes as the basis for FMRs provides tenants with greater ability to move into “Opportunity Neighborhoods” with jobs, public transportation, and good schools. They also provide for multiple payment standards within a metropolitan area, and they are likely to reduce need for extensive market area rent reasonableness studies. Lastly, HUD hopes that setting FMRs for each ZIP code will reduce overpayment in lower-rent areas.

The **Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA** is made up of the following counties:
Bucks County, PA; Burlington County, NJ; Camden County, NJ; Cecil County, MD; Chester County, PA; Delaware County, PA; Gloucester County, NJ; Montgomery County, PA; New Castle County, DE; Philadelphia County, PA; and Salem County, NJ.

Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA Advisory Small Area FMRs By Unit Bedrooms					
ZIP Code	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
08001	\$1,220	\$1,450	\$1,750	\$2,200	\$2,470
08002	\$1,000	\$1,190	\$1,440	\$1,800	\$2,030
08003	\$1,220	\$1,450	\$1,750	\$2,200	\$2,470
08004	\$1,040	\$1,230	\$1,490	\$1,870	\$2,100
08007	\$760	\$900	\$1,090	\$1,360	\$1,520
08009	\$780	\$920	\$1,120	\$1,400	\$1,570
08010	\$890	\$1,060	\$1,280	\$1,610	\$1,810
08011	\$960	\$1,140	\$1,370	\$1,720	\$1,940
08012	\$900	\$1,070	\$1,290	\$1,620	\$1,830
08014	\$920	\$1,090	\$1,310	\$1,650	\$1,860



Basic Range – Exercise 1

- Learning Objectives:
 - Become familiar with SAFMR tables
 - Begin analyzing SAFMR data and recognizing each ZIP code as a SAFMR region/location

Basic Range – Exercise 1

Dowell HUD Metro FMR Area Small Area FMRs By Unit Bedrooms

ZIP Code	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
10001	\$880	\$960	\$1,040	\$1,350	\$1,660
10002	\$810	\$870	\$950	\$1,240	\$1,520
10003	\$990	\$1,070	\$1,160	\$1,510	\$1,860
10004	\$920	\$990	\$1,080	\$1,400	\$1,730
10005	\$760	\$820	\$890	\$1,160	\$1,420
10006	\$1,320	\$1,430	\$1,550	\$2,020	\$2,480
10007	\$770	\$830	\$900	\$1,170	\$1,440
10008	\$1,030	\$1,110	\$1,210	\$1,570	\$1,940
10009	\$800	\$860	\$940	\$1,220	\$1,500
10010	\$1,220	\$1,320	\$1,440	\$1,870	\$2,300

Grouping Payment Standards

Option 1

- PHAs may adopt a unique payment standard for each ZIP code
- The payment standard can be the same percentage of the SAFMR or vary by ZIP code

Option 2

- PHAs may group ZIP codes together and set the payment based upon a dollar value that falls within the basic range of multiple SAFMRs

Factors to Consider When Setting Payment Standards

- PHA budget impacts
- Neighborhood configuration
- Availability of units
- Rent burden
- Access to low-poverty areas

Grouping Example

ZIP Code Area	2-BR Small Area FMR	Option A, 6 Payment Standard Areas		Option B, 3 Payment Standard Areas		Option C, 2 Payment Standard Areas	
		2-BR Payment Standard	% of SAFMR	2-BR Payment Standard	% of SAFMR	2-BR Payment Standard	% of SAFMR
12345	\$650	\$650	100%	\$675	104%	\$700	108%
12346	\$700	\$700	100%	\$675	96%	\$700	100%
12347	\$750	\$750	100%	\$775	103%	\$700	93%
12348	\$800	\$800	100%	\$775	97%	\$850	106%
12349	\$850	\$850	100%	\$875	103%	\$850	100%
12350	\$900	\$900	100%	\$875	97%	\$850	94%

Grouped ZIP Codes – Exercise 2

- Learning Objectives:
 - Build on data created in first exercise
 - Identify the payment standards that could be grouped
 - Identify payment standards that could be adjusted within the basic range in comparison to the current PHA payment standards
 - Discuss reasons to group or not group SAFMR areas
 - The current 2 bedroom MAFMR is \$1,000

Grouped ZIP Codes – Exercise 2-1

ZIP Code	Two-Bedroom	90 Percent	110 Percent	Payment Standard
10005	\$890	\$801	\$979	
10007	\$900	\$810	\$990	
10009	\$940	\$846	\$1,034	
10002	\$950	\$855	\$1,045	
10001	\$1,040	\$936	\$1,144	
10004	\$1,080	\$972	\$1,188	
10003	\$1,160	\$1,044	\$1,276	
10008	\$1,210	\$1,089	\$1,331	

Grouped ZIP Codes – Exercise 2-1

1. Within each of the two groups, what is the highest value payment standard?
2. Within each of the two groups, what is the lowest value payment standard?
3. What criticism might the Dowell Housing Authority receive based upon its grouped payment standard policy?
4. What is the maximum payment standard for each of the two groups?

Grouped ZIP Codes – Exercise 2-2

ZIP Code	Two-Bedroom	90 Percent	110 Percent	Payment Standard
10005	\$890	\$801	\$979	
10007	\$900	\$810	\$990	
10009	\$940	\$846	\$1,034	
10002	\$950	\$855	\$1,045	
10001	\$1,040	\$936	\$1,144	
10004	\$1,080	\$972	\$1,188	
10003	\$1,160	\$1,044	\$1,276	
10008	\$1,210	\$1,089	\$1,331	
10010	\$1,440	\$1,296	\$1,584	
10006	\$1,550	\$1,395	\$1,705	

Grouped ZIP Codes – Exercise 2-2

1. How many payment standards did your group create?
2. Describe the administrative considerations that went into your payment standard policy.
3. What are some of the benefits and disadvantages of this policy compared to the policy developed in Exercise 2-1?
4. What are some of the benefits and disadvantages of grouped payment standards compared to not grouping payment standards (i.e., having a payment standard for each ZIP code)?

Program Impacts

- Possible Impacts
 - Program budget
 - HAP expenditures
 - Rent burden
- Budget Modeling
 - Two-year Forecasting Tool
 - Payment Standard Tool

Program Impacts

- Program management considerations that impact HAP costs
 - Utility allowance schedules, e.g., amend to reflect high efficiency building materials
 - Subsidy standards
- Program management to monitor
 - Number of vouchers issued/new families searching
 - ZIP codes/payment standard areas where assisted families currently live
 - Short term & long term impacts of any policy change

Complexity of Implementation

- Administrative impact most significant in first year
- Grouping ZIP codes may help reduce administrative burden
- Increased vigilance and quality assurance processes will be required to minimize input errors

Overlapping Jurisdictions

- Coordinate with neighboring PHAs
- Develop a consistent strategy

Exception Payment Standards

- Exception payment standards and payment standards that fall below the basic range that were approved by HUD prior to the adoption of SAFMRs may remain in effect
 - Any such payment standards previously approved by HUD that fall within the basic range following the adoption of SAFMRs are no longer exceptions

Exception Payment Standards

- Requesting HUD approval
 - HUD will issue a separate *Federal Register* notice proposing such conditions and procedures
- Reasonable accommodation requests
 - PHA may, without HUD approval, establish an exception payment standard of up to and including 120 percent of the relevant FMR
 - PHA may request HUD approval to establish a payment standard that exceeds 120 percent of the FMR if it is needed as a reasonable accommodation

Questions?



Managing Reductions in Payment Standards During the HAP Contract Term



Managing Reductions in Payment Standards During the HAP Contract Term

- SAFMRs will result in lower payment standards in some areas
- Tenants under HAP contract in areas with decreasing payments standards may:
 - Stay in their current unit
 - Move to another unit
 - Some possibilities include:*
 - *moving to a lower-cost unit in the same area*
 - *moving to a higher payment standard area*

Policy Options

- Available options
 - Hold harmless
 - Reduction in subsidy based on payment standards above the current amount on the voucher payment standard schedule
 - No change in policy
- Initial reduction cannot take place before the effective date of the family's second regular reexamination following the effective date of the FMR decrease
- Administrative Plan updates
 - May have different policies for different areas
 - Include policies in Administrative Plan updates

Hold Harmless Example

Effective Date	Event	Payment Standard for SAFMR Area	Change in Payment Standard	Applicable Payment Standard for Family A	Change for Family A
6/1/2017	Family A Reexam	\$770	n/a	\$770	n/a
3/1/2018	2018 Pmt Standard	\$693	-10%		
6/1/2018	Family A Reexam			\$770	0%
1/1/2019	2019 Pmt Standard	\$679	-2%		
6/1/2019	Family A Reexam			\$770	0%

Phased In Reduction Example

Effective Date	Event	Payment Standard for SAFMR Area	Change in Payment Standard	Applicable Payment Standard for Family B	Change for Family B
6/1/2017	Family B Reexam	\$770	n/a	\$770	n/a
3/1/2018	2018 Pmt Standard	\$693	-10%		
6/1/2018	Family B Reexam			\$770	0%
1/1/2019	2019 Pmt Standard	\$624	-10%		
6/1/2019	Family B Reexam			\$732	-5%
1/1/2020	2020 Pmt Standard	\$611	-2%		
6/1/2020	Family B Reexam			\$695	-5%
1/1/2021	2021 Pmt Standard	\$611	0%		
6/1/2021	Family B Reexam			\$660	-5%
1/1/2022	2022 Pmt Standard	\$599	-2%		
6/1/2022	Family B Reexam			\$627	-5%
1/1/2023	2023 Pmt Standard	\$611	0%		
6/1/2023	Family B Reexam			\$611	⁴¹ -3%

No Change in Policy Example

Effective Date	Event	Payment Standard for SAFMR area	Change in Payment Standard	Applicable Payment Standard for Family C	Change for Family C
6/1/2017	Family C Reexam	\$770	n/a	\$770	n/a
3/1/2018	2018 Pmt Standard	\$693	-10%		
6/1/2018	Family C Reexam			\$770	0%
1/1/2019	2019 Pmt Standard	\$624	-10%		
6/1/2019	Family C Reexam			\$693	-10%
1/1/2020	2020 Pmt Standard	\$624	0%		
6/1/2020	Family C Reexam			\$624	-10%

Recap of Factors for Consideration

- Rent burden
 - Where payment standards are reduced, families will likely see their share increase
- Availability of units
 - Unit availability may decline based on reduced SAFMRs
 - Consider whether the reduction in the number of available units will be balanced out by increases in other areas

Recap of Factors for Consideration

- Budget impacts
 - Monitor HAP obligations & expenses
 - Monitor the impacts of decreased payment standards when:
 - Preparing monthly VMS reports
 - Analyzing spending
 - Planning voucher issuances
- Complexity of implementation

Questions?



Administrative Impacts of SAFMR Implementation



Administrative Impacts – Software Modifications

- System of Record adaptations
 - Support enough payment standards to run the program
- Rent reasonableness data systems
 - May not have prior history/data in high-rent areas
 - Must fully comply with the requirements of 24 CFR 982.507

Administrative Impacts – Administrative Plan

- Policy for payment standards
 - Process for establishing and revising payment standards
 - Payment standard effective dates
 - Evaluation of rent burden
 - Exception payment standards
- Policy for administering decreases in the payment standard during the HAP contract term
 - Hold Harmless
 - Phased-In Reduction
 - No Change

Administrative Impacts – Administrative Plan

- Opt-in SAFMR PHAs
 - Receive HUD approval
 - Amend Administrative Plan
- Policies on application of SAFMR to PBV

Administrative Impacts – Rent Reasonableness

- All PHAs are required to re-determine rent reasonableness in three cases:
 - Before any increase in rent to owner
 - When the applicable FMR decreases by 10 percent
 - If directed by HUD
- HUD has changed percentage decrease in FMRs that triggers rent reasonableness redeterminations to 10 percent
- PHAs may need to become more knowledgeable about the housing stock and market in more sub-markets
 - May be challenging to do this evaluation manually

Questions?



Factors to Consider for PBV



Factors to Consider for PBV

- SAFMR PHAs are not required to use SAFMRs in PBV program
- Must adopt policy in Administrative Plan
 - Must be applied uniformly for all projects in which notice of owner selection was made *after* the effective dates of both the adoption of SAFMRs and a revised Admin Plan
 - Where notice of owner selection was made *prior* to either or both of these effective dates, the PHA & owner may mutually agree to apply SAFMRs to the project
 - Rent increase shall go into effect no earlier than the 1st anniversary of the HAP contract

Factors to Consider for PBV

- Compare HAP contract rents of current PBV projects with potential rents under SAFMR

ZIP Code	Maximum Rent to Owner (PBV)	MAFMR	Gross Rent (HCV)	SAFMR
90010	\$1,545	\$1,700	\$2,130	\$2,343
90013	\$1,545	\$1,700	\$1,630	\$1,793
90014	\$1,545	\$1,700	\$1,810	\$1,991
90024	\$1,545	\$1,700	\$2,290	\$2,519
90025	\$1,545	\$1,700	\$2,000	\$2,200

Factors to Consider for PBV

- Compare gross rents of current PBV projects with 110% of SAFMRs for tenant-based program

Zip Code	Maximum Rent to Owner (PBV)	MAFMR	Gross Rent (HCV)	SAFMR
90005	\$1,545	\$1,700	\$1,190	\$1,309
90006	\$1,545	\$1,700	\$1,170	\$1,287
90011	\$1,545	\$1,700	\$1,240	\$1,364
90029	\$1,545	\$1,700	\$1,230	\$1,353
90033	\$1,545	\$1,700	\$1,170	\$1,287



Working with Tenants & Owners



Working with Prospective & New Voucher Participants

- To new voucher families – communicate:
 - Affordability
 - Opportunity
 - Availability
- Update briefing materials
 - Highlight the increased value of the voucher in high-cost areas
 - Emphasize the location and benefits of opportunity areas
 - Coach families on how to interact with potential landlords to increase their chances for successful lease-up
- Brief port-ins

Working with Program Participants

- Educate on the relationship between payment standards and gross rent
- Where payment standards decrease, explain options for tenants:
 - Remain in the current unit and pay more
 - Request the landlord to reduce the rent
 - Consider moving to a more affordable housing unit
 - Learn about ways to increase family income

Working with Program Participants

- Describing changes related to the transition to SAFMRs
 - Benefits and limitations
 - Intended goals of making units in lower-poverty, high-opportunity communities more affordable
- Implementing decreases in payment standards
 - 12 months' notice of decrease

Working with Program Participants

- Communication strategies for:
 - Moves corresponding with the reexamination period
 - Evaluate current procedures for reexaminations
 - Messages need to be comprehensive but brief
 - Anticipate many questions from tenants
 - Emergency/interim moves
 - Open group briefings to families completing an emergency/interim move

Supporting Families

- Affordability calculators
- Extended search times
- Landlord outreach
- Interactive maps
- Mobility counseling

Working with Owners

- Owner recruitment – communicate advantages:
 - Cash flow
 - Advertising
 - Support
- Recruitment strategies:
 - Work with local real estate agents and landlord associations
 - Update PHA website content
 - Participate in or host a networking event

Working with Owners

- Communicating policy changes
 - Provide clear and specific information regarding decreases in payment standards
- Other tools
 - Provide opportunities for landlords to present their properties directly to HCV families
 - Include landlords at briefings
 - Host landlord fairs

Educating Stakeholders

- Staff & board members
 - Staff training
 - Direct to publicly available information
- Local advocates – such as affordable housing proponents, fair housing advocacy agencies, legal services providers, etc.
 - Emphasize the benefits to families
 - Where possible, provide data that illustrates the steps the PHA took to minimize harm to participants
- Elected officials

Exercise 3 – Implementing SAFMRs

1. Discussion Topics:

- Payment Standards
- Reviewing & Setting Policies
- PHA Processes & Staff Training
- Communications
- Additional Resources

2. Complete “Next Steps” worksheet

Category	Next Step	Timeline for Completion
Payment Standards	<i>Example:</i> Determine which payment standards are outside of the basic range	March 2018

Questions?



Additional Resources & Questions



Additional Resources

- Appendix A: Applications of provisions in the Final Rule for different PHA types
- Appendix B: Designated SAFMR Metropolitan Areas
- Appendix C: Links to key resources
 - SAFMR Final Rule
 - PIH Notice 2018-01
 - HUD data resources
 - Other HUD tools and resources

Questions?