



Small Area Fair Market Rents (SAFMRs)



Approaches to ZIP Code Groupings

Under SAFMRs, the total number of payment standards may increase based on the number of ZIP Codes in the community. PHAs should determine if it is reasonable to group ZIP Codes to reduce the total payment standards used. Without ZIP Code grouping, a separate payment standard is established for each ZIP Code. The decision to group ZIP Codes or use separate payment standards for each ZIP Code depends on local needs and Housing Choice Voucher program priorities. Some PHAs may find it beneficial to group ZIP Codes to reduce the total number of payment standards the PHA has for SAFMRs, thereby reducing the administrative burden. Others may prefer to set separate payment standards for each ZIP Code they serve based on local conditions and community priorities.

Most PHAs interviewed opted not to group ZIP Codes. PHAs with fewer ZIP Codes found it unnecessary to group them. **Dubuque, El Dorado, Joplin,** and **Brookline PHAs** have less than 10 ZIP Codes in their areas and maintain separate payment standards for each.

Despite the added administrative burden, some PHAs with many payment standards also decided against ZIP Code grouping. **Boston, Plano,** and **San Diego County PHAs** created 50 or more different payment standards following SAFMR implementation due to the number of ZIP Codes in their respective areas.

Recognizing that grouping ZIP Codes may reduce housing options, these PHAs avoided this practice to help foster more housing choices for PHA tenants and promote increased economic mobility. They also cited concerns that grouping ZIP Codes may artificially inflate rents in neighborhoods. For example, The **Housing Authority of San Diego, CA** chose not to group its 57 ZIP Codes to ensure equity and inclusive messaging throughout its community. San Diego PHA decided not to group ZIP Codes to give tenants access to affordable housing throughout San Diego County.

Boston Housing Authority (BHA) participated in the City's regional approach to address fair housing needs and increase economic opportunities. As part of those local efforts, BHA decided not to group its 211 ZIP Codes.

The **Plano, TX Housing Authority** does not group ZIP Codes because it does not want to arbitrarily limit where people can live based on ZIP Code. Noting that a legal challenge to FMR-based payment standards was the reason for creating SAFMRs, it expressed concerns about the risk of getting sued. However, Plano highlighted that SAFMRs may help a PHA achieve bonus points on the Section 8 Management Assessment Program (SEMAP) for deconcentrating poverty.

Of the total PHAs interviewed, only two grouped ZIP Codes, Cook County PHA and City of San Diego Housing Commission.

The **Housing Authority of Cook County, IL (HACC)** administers Housing Vouchers in 138 ZIP Codes. To help ease the administrative burden of using SAFMRs, it opted to group ZIP Codes. HACC initially had 10 ZIP Code groups; it has since increased this to 26 to meet tenants' needs. A new ZIP Code group is established when the payment standard is not within 90-110% of FMR. HACC conducts frequent analysis of gross rent and other factors to stay current. The PHA has updated its ZIP Code groups each year since starting SAFMRs.

Factors to consider when deciding to group ZIP codes

ZIP Code grouping is a local decision based on local needs, including:

- Number of ZIP Codes/payment standards under SAFMRs
- Use of software to manage SAFMR administration
- Equity and fair housing implications
- Analysis needed to group ZIP Codes

This material is based upon work supported, in whole or in part, by Federal award number C-18-TA-MD-0001 awarded to Abt Associates, Inc. by the U.S. Department of Housing and Urban Development. The substance and findings of the work are dedicated to the public. Neither the United States Government, nor any of its employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, apparatus, product, or process disclosed, or represents that its use would not infringe privately-owned rights. Reference herein to any individuals, agencies, companies, products, process, services, service by trade name, trademark, manufacturer, or otherwise does not constitute or imply an endorsement, recommendation, or favoring by the author(s), contributor(s), the U.S. Government or any agency thereof. Opinions contained herein are those of the author(s) and do not necessarily reflect the official position of, or a position that is endorsed by, HUD or any Federal agency.